NEW ISSUE **Moody's "Aaa"**
(See "Rating" herein)

DASNY
DORMITORY AUTHORITY STATE OF NEW YORK

DAC Bond

$10,400,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
GREAT NECK LIBRARY REVENUE BONDS,
SERIES 2014

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

Payment and Security: The Great Neck Library Revenue Bonds, Series 2014 (the "Series 2014 Bonds") are special obligations of the Dormitory Authority of the State of New York ("DASNY"), payable solely from and secured by a pledge of certain payments to be made under the Loan Agreement (the "Loan Agreement") dated as of November 12, 2014 between the Great Neck Library (the "Library" or the "Institution") and DASNY, and all the funds and accounts (except the Arbitrage Rebate Fund) authorized under DASNY's Great Neck Library Revenue Bond Resolution, adopted November 12, 2014 (the "Resolution") and established under DASNY's Series Resolution Authorizing Up To $10,400,000 Great Neck Library Revenue Bonds, Series 2014, adopted November 12, 2014 (the "Series 2014 Resolution").

The Loan Agreement is a general obligation of the Library and requires the Library to pay, in addition to the fees and expenses of DASNY and the Trustee, amounts sufficient to pay the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2014 Bonds, as such payments become due. The obligations of the Library under the Loan Agreement are secured by a pledge of all revenues of the Library, including real property tax assessments on all non-exempt real property located in the Great Neck Union Free School District (the "School District"), Nassau County, New York, levied for Library purposes.

The Series 2014 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 2014 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest (due May 1, 2015 and each May 1 and November 1 thereafter) on the Series 2014 Bonds will be payable by check or draft mailed to the registered owners thereof. Principal and Redemption Price of the Series 2014 Bonds will be payable at the designated corporate trust office of U.S. Bank National Association, New York, New York, the Trustee and Paying Agent.

The Series 2014 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 2014 Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2014 Bonds, payments of the principal and Redemption Price of and interest on such Series 2014 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 2014 BONDS – Book-Entry Only System".

Redemption: *The Series 2014 Bonds are subject to optional redemption, mandatory redemption, and purchase in lieu of optional redemption prior to maturity as more fully described in this Official Statement.*

Tax Exemption: In the opinions of Hodgson Russ LLP and Golden Holley James LLP, Co-Bond Counsel to DASNY, under existing law and assuming compliance by DASNY and the Library with certain tax covenants described herein and the accuracy and completeness of certain representations by DASNY and the Library, interest on the Series 2014 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Code. Such interest is, however, taken into account in determining 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 Series 2014 Bonds is exempt under existing laws from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers). See "PART 10 – TAX MATTERS" herein regarding certain other tax considerations.

The Series 2014 Bonds are offered when, as and if issued and received by the Underwriter. The offer of the Series 2014 Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality of the Series 2014 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 Library by its special counsel, Orrick Herrington & Sutcliffe, LLP, New York, New York and Bee Ready Fishbein Hatter & Donovan, LLP, Mineola, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Gonzalez Saggio & Harlan LLP, New York, New York. DASNY expects to deliver the Series 2014 Bonds in definitive form in New York, New York, on or about December 11, 2014.

Roosevelt & Cross Incorporated

November 20, 2014

$10,400,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
GREAT NECK LIBRARY
REVENUE BONDS, SERIES 2014

$7,035,000 Serial Bonds

Due May 1	Principal Amount	Interest Rate	Yield	CUSIP Number† (Base: 649907)
2015	$390,000	2.00%	0.20%	X98
2016	355,000	3.00	0.42	Y22
2017	365,000	4.00	0.62	Y30
2018	380,000	4.00	0.89	Y48
2019	400,000	5.00	1.17	Y55
2020	420,000	5.00	1.47	Y63
2021	440,000	5.00	1.80	Y71
2022	460,000	3.00	2.07	Y89
2023	225,000	3.00	2.23	Y97
2023	250,000	5.00	2.23	Z21
2024	500,000	5.00	2.35	Z39
2025‡	525,000	5.00	2.50	Z47
2026‡	550,000	5.00	2.65	Z54
2027	575,000	3.00	3.00	Z62
2028	590,000	3.00	3.12	Z70
2029	610,000	3.125	3.22	Z88

$1,280,000 3.25% Term Bonds Due May 1, 2031 to Yield 3.40% CUSIP Number† 649907 Z96

$2,085,000 3.50% Term Bonds Due May 1, 2034 to Yield 3.62% CUSIP Number† 649907 2A9

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‡ Priced at the stated yield to the May 1, 2024 optional redemption date at a redemption price of 100%.

No dealer, broker, salesperson or other person has been authorized by DASNY, the Library or the Underwriter to give any information or to make any representations with respect to the Series 2014 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 Library 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 2014 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 Library 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.

The Library has reviewed the parts of this Official Statement describing the Library, the Project, the Tax Referendum (as defined herein), the Estimated Sources and Uses of Funds and Appendix B. The Library will certify as of the dates of sale and delivery by DASNY of the Series 2014 Bonds that such parts of this Official Statement do not contain any untrue statements 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 Library makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

References in this Official Statement to the Act, the Resolution, the Series 2014 Resolution and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2014 Resolution and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2014 Resolution and the Loan Agreement 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 Library have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2014 BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2014 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
PAUL T. WILLIAMS, JR. – PRESIDENT ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT RELATING TO:

$10,400,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
GREAT NECK LIBRARY
REVENUE BONDS, SERIES 2014

PART 1 – INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about the Dormitory Authority of the State of New York ("DASNY") and Great Neck Library (the "Library") in connection with the offering by DASNY of $10,400,000 principal amount of its Great Neck Library Revenue Bonds, Series 2014 (the "Series 2014 Bonds").

The following is a brief description of certain information concerning the Series 2014 Bonds, DASNY and the Library. A more complete description of such information and additional information that may affect decisions to invest in the Series 2014 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 Issue

The Series 2014 Bonds are being issued to finance a portion of (i) the cost of the Project, and (ii) the Costs of Issuance of the Series 2014 Bonds. See "PART 5 – THE PROJECT" and "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

The Series 2014 Bonds will be issued pursuant to DASNY's Great Neck Library Revenue Bond Resolution, adopted November 12, 2014 (the "Resolution"), DASNY's Series Resolution Authorizing Up To $10,400,000 Great Neck Library Revenue Bonds, Series 2014, adopted November 12, 2014 (the "Series 2014 Resolution"), and the Dormitory Authority Act, being Chapter 524 of the Laws of 1944 of the State of New York, as amended to the date hereof (the "Act"). The Resolution authorizes the issuance of multiple Series of Bonds. The Series 2014 Resolution authorizes the issuance of the Series 2014 Bonds in an amount not to exceed $10,400,000.

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 7 – DASNY."

The Library

The Library is a New York not-for-profit corporation described in Section 501(c)(3) of the Internal Revenue Code of 1986, duly incorporated on February 21, 1889, operating and existing under the laws of the State as a free association library. The Library is located in the Town of North Hempstead, New York (the "Town"), and is maintained for the benefit and free use of the residents of the Great Neck Union Free School District (the "School District"), Nassau County, New York. The Library has no independent taxing power. See "PART 4 – THE

LIBRARY – GENERAL INFORMATION" and "Appendix B – Financial Statements of Great Neck Library and Independent Auditors' Report."

The Series 2014 Bonds

The Series 2014 Bonds will be dated their date of delivery and will bear interest from such date (payable May 1, 2015 and on each November 1 and May 1 thereafter) at the rates and will mature at the times set forth on the inside cover page of this Official Statement. See "PART 3 – THE SERIES 2014 BONDS – Description of the Series 2014 Bonds."

Payment of the Series 2014 Bonds

The Series 2014 Bonds will be special obligations of DASNY payable solely from the Revenues, which consist of certain payments to be made to DASNY by the Library under the Loan Agreement. The Loan Agreement is a general obligation of the Library. Pursuant to the Resolution and the Series 2014 Resolution, the Revenues and DASNY's right to receive the Revenues have been pledged and assigned to U.S. Bank National Association, as trustee (the "Trustee"). See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS – Payment of the Series 2014 Bonds."

Security for the Series 2014 Bonds

The Series 2014 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues and the security interest in the Pledged Revenues granted by the Library to DASNY under the Loan Agreement. DASNY's security interest in the Pledged Revenues will be a first lien thereon. The Pledged Revenues consist primarily of moneys derived from real property tax levies made on behalf of the Library by the School District. The Real Property Tax Law governs methods and procedures to levy, collect and enforce this tax.

The Series 2014 Bonds will also be secured by all funds and accounts authorized by the Resolution and established by the Series 2014 Resolution (with the exception of the Arbitrage Rebate Fund). In the event of nonpayment by the Library under the Loan Agreement, DASNY is authorized by law to direct State and local officers including, without limitation, officers of the Town and the School District to pay over to DASNY any and all funds owed to the Library by the State or any political subdivision thereof in an amount sufficient to make all payments required to be made under the Loan Agreement. Such funds represent a portion of the Pledged Revenues. The Library may incur debt secured by a parity lien on certain of the Pledged Revenues (excluding the portion of the Pledged Revenues derived from the tax levy authorized by the Tax Referendum (as herein defined)) with the prior written consent of DASNY. See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS – Security for the Series 2014 Bonds."

The 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 2014 Bonds will not be a debt of Nassau County, New York (the "County"), the Town or the School District nor will the County, the Town or the School District be liable thereon or under the Loan Agreement.

The Series 2014 Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power.

PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2014 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 Resolution, the Series 2014 Resolution, the Collection Agreement, and the Loan Agreement. Copies of the Resolution, the Series 2014 Resolution, the Collection Agreement, and the Loan Agreement are on file with DASNY and the Trustee. See also "Appendix C – Summary of Certain Provisions of the Loan Agreement" and "Appendix D – Summary of Certain Provisions of the Resolution" for a more complete statement of the rights, duties and obligations of the parties thereto. All references to the Debt Service Fund refer to such fund established pursuant to the Resolution and the Series 2014 Resolution.

Payment of the Series 2014 Bonds

The Series 2014 Bonds will be special obligations of DASNY. The principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2014 Bonds are payable solely from the Revenues. The Revenues consist of the required payments to be made by the Library under the Loan Agreement to satisfy the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2014 Bonds. The Revenues and the right to receive them have been pledged and assigned to the Trustee for the benefit of the Series 2014 Bondholders.

The Loan Agreement is a general obligation of the Library and obligates the Library to make payments on account of the principal, Sinking Fund Installments and Redemption Price of and interest on Outstanding Series 2014 Bonds. Such payments are to be made annually on or before March 1, in an amount equal to the interest coming due on the immediately succeeding interest payment dates (May 1 and November 1) and the principal and Sinking Fund Installments coming due on the next succeeding May l. The Loan Agreement also obligates the Library to pay, at least 15 days (or such lesser number of days as is acceptable to DASNY) prior to a redemption date of Series 2014 Bonds called for redemption, the amount, if any, required to pay the Redemption Price of such Series 2014 Bonds. See "PART 3 – THE SERIES 2014 BONDS – Redemption and Purchase in Lieu of Optional Redemption Provisions."

DASNY has directed, and the Library has 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 and Redemption Price of and interest on the Series 2014 Bonds.

Authorization of Project, Payment and Tax Levy

On November 19, 2013, a special meeting was held by the electorate of the School District wherein, by majority vote, the Library was authorized to undertake the Project and finance the Project through DASNY. The proposition authorized the School District to levy a tax on behalf of the Library in annual installments not to exceed $875,000 per year in connection with the Project (the "Tax Referendum"). The proposition also authorized the Library to assign and pledge to DASNY funds in an amount sufficient to make all payments required to satisfy the Library's obligations in connection with the financing of the Project, and authorized such funds to be raised by a real property tax assessment on real property located within the School District to be levied annually by the School District for Library purposes.

Security for the Series 2014 Bonds

The Series 2014 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues, the proceeds from the sale of the Series 2014 Bonds (until disbursed as provided in the Resolution), all funds and accounts authorized under the Resolution and established under the Series 2014 Resolution (with the exception of the Arbitrage Rebate Fund) and DASNY's security interest in the Pledged Revenues. There will not be a Debt Service Reserve Fund established in connection with the issuance of the Series 2014 Bonds and the Series 2014 Bonds will not be secured by a mortgage or any interest in real property of the Library.

Pledged Revenues

The Pledged Revenues consist of all Public Funds and all revenues of the Library, including the real property tax levies made on behalf of the Library by the School District on all non-exempt real property situated within the School District to be paid over annually to the Library and the Library's right to receive such revenues. To secure its payment obligations under the Loan Agreement, the Library will grant a security interest to DASNY in the Pledged Revenues. DASNY's security interest in the Pledged Revenues will be a first lien thereon and will not be subject to any preexisting liens. The Library may incur debt secured by a parity lien on the Pledged Revenues (excluding the portion of the Pledged Revenues derived from the tax levy authorized by the Tax Referendum) with the prior written consent of DASNY. See "PART 4 – THE LIBRARY" and "Appendix B – Financial Statements of Great Neck Library and Independent Auditors' Report."

In addition, in the event of nonpayment by the Library under the Loan Agreement, DASNY is authorized under the Act to direct State and local officers including without limitation, officers of the Town and the School District, to pay over to DASNY any and all Public Funds in an amount sufficient to make all payments required to be made under the Loan Agreement.

The Series 2014 Bonds will not be a debt of the State, the County, the Town or the School District nor will the State, the County, the Town or the School District be liable thereon or under the Loan Agreement.

The Collection Agreement

In connection with the issuance of the Series 2014 Bonds, the Library, DASNY, the School District, the Town and the Trustee will execute the Tax Pledge and Collection Agreement (the "Collection Agreement"). Pursuant to the Collection Agreement, the Library directs the Town to collect and pay over to the School District the real property tax levies made by the School District on behalf of the Library and the Library directs the School District to pay over those real property taxes collected directly to the Trustee (the "Receipts").

The Receipts will be deposited into a separate account held by the Trustee under the Collection Agreement. The Trustee will promptly transfer thirty-five (35%) percent of such Receipts to the Debt Service Fund and sixty-five (65%) percent to the Library until such time as the sum of all Receipts transferred to the Debt Service Fund during any twelve-month period beginning on July 1 and ending on the following June 30 (a "Fiscal Year") is equal to the "Total Debt Service Obligation" set forth in "PART 3 – THE SERIES 2014 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2014 Bonds" (the "Debt Service Obligation") for such Fiscal Year, provided, however, that if, as of January 31 of any Fiscal Year, the sum of all Receipts transferred to the Debt Service Fund during such Fiscal Year is less than the Debt Service Obligation for such Fiscal Year, the Trustee shall thereafter transfer one hundred (100%) percent of Receipts thereafter received to the Debt Service Fund until such time as the sum of all Receipts transferred to the Debt Service Fund during such Fiscal Year is equal to the Debt Service Obligation for such Fiscal Year. After the Trustee has transferred Receipts during such year in an amount equal to the Debt Service Obligation for such year, the Trustee will transfer the balance of Receipts thereafter received to the Library. To the extent that the Library makes any payment directly to the Trustee pursuant to the Loan Agreement, such payment shall be taken into account in determining whether the sum of all Receipts transferred to the Debt Service Fund during such Fiscal Year is equal to the Debt Service Obligation for such Fiscal Year.

Events of Default and Acceleration

The Resolution provides that events of default thereunder and under the Series 2014 Resolution constitute events of default only with respect to the Series 2014 Bonds. The following are events of default under the Resolution: (i) the payment of the principal, Sinking Fund Installments or Redemption Price of or interest on such Series 2014 Bonds shall not be made when due and payable; (ii) DASNY takes any action, or fails to take any action, which would cause such Series 2014 Bonds to be "arbitrage bonds" within the meaning of the Code, or fails to comply with the provisions of the Code and as a result thereof, interest on the Series 2014 Bonds shall no longer be excludable from gross income for federal income tax purposes; (iii) a default by DASNY in the due and punctual performance of any other covenant, condition, agreement or provision contained in the Series 2014 Bonds or in the Resolution or in the Series 2014 Resolution which continues for 30 days after written notice thereof is given to DASNY by the Trustee (such notice to be given at the Trustee's discretion or at the written request of Holders of not less than 25% in principal amount of outstanding Series 2014 Bonds); or (iv) an "Event of Default," as defined in the Loan Agreement, has occurred and is continuing and all sums payable by the Library under the Loan Agreement have been declared immediately due and payable (unless such declaration has been annulled). Unless all sums payable by the Library under the Loan Agreement are declared immediately due and payable, an event of default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that if an event of default (other than as described in clause (ii) of the preceding paragraph) occurs and continues, the Trustee must, upon the written request of the Holders of not less than 25% in principal amount of the outstanding Series 2014 Bonds, declare the principal of and interest on all the Outstanding Series 2014 Bonds 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 may, with the written consent of the Holders of not less than 25% in principal amount of the Series 2014 Bonds then outstanding, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Holders of not less than a majority in principal amount of the outstanding Series 2014 Bonds have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee.

The Resolution provides that the Trustee shall give notice in accordance with the Resolution of each event of default known to the Trustee to the Holders of the Series 2014 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 principal, Sinking Fund Installments or Redemption Price of, or interest on, any of the Series 2014 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 the Series 2014 Bonds.

General

The Series 2014 Bonds will not be a debt of the State, the County, the Town or the School District nor will the State, the County, the Town or the School District be liable thereon. DASNY has no taxing power. DASNY has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See "PART 7 – DASNY."

PART 3 – THE SERIES 2014 BONDS

Description of the Series 2014 Bonds

The Series 2014 Bonds will be issued pursuant to the Resolution and the Series 2014 Resolution, will be dated the date of delivery of the Series 2014 Bonds and will bear interest from such date (payable May 1, 2015 and on each November 1 and May 1 thereafter) at the rates and will mature at the times set forth on the inside cover page of this Official Statement.

The Series 2014 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2014 Bonds may be exchanged for Series 2014 Bonds of the same maturity of any other authorized denomination. 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 2014 Bond.

The principal or Redemption Price of the Series 2014 Bonds will be payable at the designated corporate trust office of U.S. Bank National Association, New York, New York, the Trustee. The Redemption Price of a Series 2014 Bond will be paid to any Bondholder of $1,000,000 or more in aggregate principal amount of Series 2014 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 2014 Bonds to be redeemed are presented and surrendered to the Trustee.

Interest on the Series 2014 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 2014 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 2014 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.

Such Bondholders may receive the Redemption Price to be paid on their Series 2014 Bonds by wire transfer at the address in the continental United States specified by such Bondholders in a written request given to the Trustee at the time presentation and surrender of the Series 2014 Bonds to be redeemed is made.

For a more complete description of the Series 2014 Bonds, see "Appendix D – Summary of Certain Provisions of the Resolution."

Redemption and Purchase in Lieu of Optional Redemption Provisions

Optional Redemption

The Series 2014 Bonds maturing on or before May 1, 2024 are not subject to optional redemption prior to maturity. The Series 2014 Bonds maturing after May 1, 2024 are subject to redemption prior to maturity, on or after May 1, 2024, 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.

DASNY's obligation to redeem Series 2014 Bonds other than through mandatory Sinking Fund Installments may be conditioned upon the deposit of sufficient money with the Trustee to pay the Redemption Price of the Series 2014 Bonds to be redeemed on the redemption date.

Special Redemption

The Series 2014 Bonds are also subject to redemption 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 date of redemption, (i) from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project and (ii) from unexpended proceeds of the Series 2014 Bonds upon the abandonment of all or a portion of the Project due to a legal or regulatory impediment.

Mandatory Redemption

In addition, the Series 2014 Bonds maturing on May 1, 2031 are also subject to redemption, in part, on each May 1 of the years and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on May 1 of each year the principal amount of Series 2014 Bonds specified for each of the years shown below:

Term Bond Maturing on May 1, 2031

Year	Sinking Fund Installments
2030	$630,000
2031†	650,000

†Final maturity.

Further, the Series 2014 Bonds maturing on May 1, 2034, are also subject to redemption, in part, on each May 1 of the years and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on May 1 of each year the principal amount of Series 2014 Bonds specified for each of the years shown below:

Term Bond Maturing on May 1, 2034

Year	Sinking Fund Installments
2032	$670,000
2033	695,000
2034†	720,000

†Final maturity.

DASNY may from time to time direct the Trustee to purchase Series 2014 Bonds with moneys set aside for redemption in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2014 Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2014 Bonds of the same maturity. The Library also may purchase Series 2014 Bonds at or below par and apply any Series 2014 Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2014 Bonds of the same maturity. Series 2014 Bonds purchased with money in the Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the Series 2014 Bonds so purchased payable on the next succeeding May 1. Series 2014 Bonds redeemed at the option of DASNY, purchased by DASNY or the Library (other than from amounts on deposit in the Debt Service Fund) and delivered to the Trustee for cancellation or deemed to have been paid in accordance with the Resolution will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments as DASNY may direct in its discretion. To the extent DASNY's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Fund Installments of a Bondholder's Series 2014 Bonds of the maturity entitled to such Sinking Fund Installment will be reduced for such year.

Purchase in Lieu of Optional Redemption

The Series 2014 Bonds maturing on or before May 1, 2024 are not subject to purchase in lieu of optional redemption prior to maturity. The Series 2014 Bonds maturing after May 1, 2024 are subject to purchase in lieu of optional redemption prior to maturity on or after May 1, 2024, at the option of the 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").

Selection of Bonds to be Redeemed or Purchased

In the case of redemptions or purchases in lieu of optional redemption of the Series 2014 Bonds described above under the subheadings *"Optional Redemption"* or *"Purchase in Lieu of Optional Redemption,"* DASNY will select the maturities of the Series 2014 Bonds to be redeemed or purchased. In the case of redemption of Series 2014 Bonds described above under the subheading *"Special Redemption,"* Series 2014 Bonds will be redeemed to the extent practicable pro rata among the Outstanding Series 2014 Bonds of each maturity, but only in integral multiples of $5,000 within each maturity. If less than all of the Series 2014 Bonds of a maturity are to be redeemed (pursuant to an optional, special or mandatory redemption), the Series 2014 Bonds 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 2014 Bonds 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 2014 Bonds which are to be redeemed, at their last known addresses appearing on the registration books. The failure of any owner of a Series 2014 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2014 Bond. Any such notice may contain conditions to DASNY's obligation to redeem the Series 2014 Bonds. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

DASNY's obligation to optionally redeem a Series 2014 Bond may be conditioned upon the deposit of sufficient money with the Trustee to pay the Redemption Price for all of the Series 2014 Bonds to be redeemed on the redemption date. If sufficient money is available on the redemption date to pay the Redemption Price and if notice has been mailed and the conditions, if any, to such condition have been satisfied or waived by DASNY, then interest on the Series 2014 Bonds of such maturity will cease to accrue from and after redemption date and such Series 2014 Bonds will no longer be considered to be Outstanding under the Resolution.

Notice of Purchase in Lieu of Optional Redemption and Its Effect

Notice of purchase of the Series 2014 Bonds in lieu of optional redemption will be given in the name of the Library to the registered owners of the Series 2014 Bonds 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 2014 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2014 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. In the event the Series 2014 Bonds are called for purchase in lieu of optional redemption, such purchase shall not operate to extinguish the indebtedness of DASNY evidenced thereby or modify the terms of the Series 2014 Bonds and such Series 2014 Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest.

The Library's obligation to purchase a Series 2014 Bond to be purchased or cause it to be purchased may be conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2014 Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2014 Bonds to be purchased, the former registered owners of such Series 2014 Bonds will have no claim thereunder or under the 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 2014 Bonds 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 2014 Bonds in accordance with their respective terms.

In the event that not all of the outstanding Series 2014 Bonds of a maturity are to be purchased, the Series 2014 Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2014 Bonds of a maturity to be redeemed in part are to be selected.

For a more complete description of the redemption, purchase in lieu of optional redemption and other provisions relating to the Series 2014 Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution."

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2014 Bonds. The Series 2014 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 2014 Bond certificate will be issued for each maturity of the Series 2014 Bonds, totaling in the aggregate the principal amount of the Series 2014 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 issues, 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 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 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 2014 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 the Series 2014 Bonds, except in the event that use of the book-entry system for such Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 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 2014 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 2014 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 2014 Bonds within a maturity of the Series 2014 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 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 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2014 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 the Series 2014 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 2014 Bond certificates 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 2014 Bond certificates will be printed and delivered to DTC.

For every transfer and exchange of Series 2014 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 Library, the Trustee or the Underwriter make any 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 LIBRARY, 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 2014 BONDS (1) PAYMENTS OF PRINCIPAL, PURCHASE PRICE OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2014 BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN SERIES 2014 BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2014 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 LIBRARY, 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 2014 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2014 Bonds (other than under "PART 10 – TAX MATTERS" herein) mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2014 Bonds.

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Principal, Sinking Fund Installment and Interest Requirements for the Series 2014 Bonds

The following table sets forth the amounts required to be paid by the Library during each twelve-month period ending June 30 of the years shown for the payment of principal and Sinking Fund Installments of and interest on the Series 2014 Bonds payable on May 1 of such period and the interest on the Series 2014 Bonds payable on the succeeding November l, and the aggregate payments to be made by the Library during each such period with respect to the Series 2014 Bonds.

12 Month Period Ending June 30	Principal and Sinking Fund Installments	Interest Payments	Total Debt Service Obligation
2015	$ 390,000.00	$ 344,222.22	$ 734,222.22
2016	355,000.00	378,512.50	733,512.50
2017	365,000.00	365,887.50	730,887.50
2018	380,000.00	350,987.50	730,987.50
2019	400,000.00	333,387.50	733,387.50
2020	420,000.00	312,887.50	732,887.50
2021	440,000.00	291,387.50	731,387.50
2022	460,000.00	273,487.50	733,487.50
2023	475,000.00	256,962.50	731,962.50
2024	500,000.00	234,837.50	734,837.50
2025	525,000.00	209,212.50	734,212.50
2026	550,000.00	182,337.50	732,337.50
2027	575,000.00	159,962.50	734,962.50
2028	590,000.00	142,487.50	732,487.50
2029	610,000.00	124,106.25	734,106.25
2030	630,000.00	104,337.50	734,337.50
2031	650,000.00	83,537.50	733,537.50
2032	670,000.00	61,250.00	731,250.00
2033	695,000.00	37,362.50	732,362.50
2034	720,000.00	12,600.00	732,600.00
Total	$10,400,000.00	$4,259,753.47	$14,659,753.47

PART 4 – THE LIBRARY

GENERAL INFORMATION

Introduction

The Library is a New York not-for-profit corporation described in Section 501(c)(3) of the Internal Revenue Code of 1986, duly incorporated on February 21, 1889, operating and existing under the laws of the State as a free association library. The Library is located in the Great Neck Union Free School District, part of the Town of North Hempstead, New York and is one of 54 member libraries in the Nassau Library System.

The Library provides library services primarily to the residents of the School District and serves a population of approximately 44,000. The Library's collection includes over 250,000 volumes, including reference, adult non-fiction, popular fiction, periodicals, children's materials and large print items. The Library serves as a meeting place for the community with three public meeting rooms available. The Library offers many public programs, including children's and family story hours and crafts, young adult summer reading clubs and programs of community interest such as concerts and author events. The Library also provides outreach and delivery to local nursing homes and senior housing facilities, as well as to the homebound. The Library has a small gallery and exhibit areas where artwork and collectables are displayed.

The Library also provides an arts-centered after-school program for high school and college age youth, where young people can gather in a safe, nurturing environment offering programs in theater, music, dance, art, videography, and life skills. Levels, as it is has been known since 1972, produces five theatrical shows every year that are produced, directed, set designed and choreographed by the student participants under the supervision of professional Library staff.

The Library will be temporarily closed during the Project and services will be moved to branch locations. See “PART 5 – THE PROJECT.”

The Series 2014 Bonds are not a debt of the State, the County, the Town or the School District nor is the State, the County, the Town or the School District liable thereon.

Governance and Administration

The Library is governed by an elected Board of Trustees (the “Board”) consisting of seven (7) 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 for election. Board members are elected for staggered four-year terms and can be re-elected to an unlimited number of terms. The Board meets eleven times a year or more frequently as required.

The present members of the Board are:

Name	Principal Occupation	Term Expires (January)
Marietta DiCamillo President	Chief Financial Officer, Major League Baseball Players Association	2018
Francine Ferrante Krupski Vice President	Retired	2016
Varda Solomon Secretary	Data Analyst, Nassau BOCES	2017
Josie Pizer Treasurer	Retired	2017
Joel Marcus Assistant Treasurer	Educator, Queensborough Community College, City University of New York	2019
Michael Fuller Assistant Treasurer	Real Estate Executive, NAI Global	2018
Janet Nina Esagoff Trustee	Attorney, Berkman, Henoch, Peterson & Peddy, P.C.	2015*

* As of January 27, 2015, Janet Nina Esagoff will be succeeded as a Trustee by Robert Schaufeld, Attorney, Law Office of Robert M. Schaufeld whose term will expire in January, 2019.

Laura Weir was appointed as the Library’s Interim Director in 2013, having held that position in 2007 through 2008 as well. Prior to her terms as Interim Director, Mrs. Weir served as the Assistant Director at the Library from 2002 through 2006 and from 2009 through 2012. The Interim Director acts as liaison to the Board and as Director of all duties pertaining to library operations. Ms. Weir plans to retire from the Library in December, 2014 and the Board is in the process of hiring an executive placement firm specializing in public libraries to conduct a search for her successor. The Board expects to appoint an Interim Director to serve until such time as a new Director is hired.

Neil Zitofsky was appointed as the Library’s first Business Manager in 1996, bringing with him 20 years of managerial accounting experience and a B.S. Economics degree from the Wharton School of the University of Pennsylvania. Mr. Zitofsky is responsible for preparation of the Library’s budget, financial statements and government filings, as well as handling day to day financial matters including payroll, accounts payable, employee benefits, banking and insurance matters.

The Service Area

The Library serves the area coterminous with that of the School District, which is located on the north shore of Long Island wholly within the Town. The School District includes all or portions of the Villages of Great Neck, Great Neck Estates, Great Neck Plaza, Kensington, Lake Success, Russell Gardens, Saddle Rock, Thomaston, Kings Point and New Hyde Park. Midtown Manhattan (NYC) is approximately 20 miles away. The School District encompasses approximately eleven square miles and has a population currently estimated at 44,000.

The School District is composed primarily of single-family residential housing with some garden apartments and condominiums. Long Island Sound forms the northern border of the School District and provides residents with recreational opportunities. The School District has extensive shore frontage with Little Neck Bay to the west, the Long Island Sound to the north and Manhasset Bay to the East. Business sections and retail trading centers have been established in the Villages of Great Neck and Great Neck Plaza. There is also a large shopping center off Union Turnpike near Lakeville Road. The United States Merchant Marine Academy is located in the northwestern part of the peninsula.

Real Property Taxes

Funding for the operations of the Library is primarily derived from real property taxes levied by the School District on behalf of the Library and collected by the Town on behalf of the School District. The Town derives its power to levy an ad valorem real property tax 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 District 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 (but not less than 1%), 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 the fiscal year beginning July 1, 2013 did not exceed the 2% tax limit, while the budget for the fiscal year beginning July 1, 2014 required an override of $765,147 in order to provide funding for maximum annual debt service of $875,000. The qualified voters in the School District approved such budgets by an approval rate of 72% and 73%, respectively. The Library's Board of Trustees unanimously approved the funding for the debt service.

Tax Collection Procedure

Property taxes for the School District are collected by the Town tax receiver. Such taxes are due and payable in equal installments on October 1 and April 1, but may be paid without penalty by November 10 and May 10, respectively. The Town tax receiver pays to each school district the amounts collected thereof on the first day of each month from November 1 to June 1.

Penalties on unpaid taxes are 1% per month from the date such taxes are due and payable. A 1% discount for prepayment on second half taxes is given if received by November 10. Any such discount is a town charge.

On or before June 1, the town tax receiver files a report of any uncollected school district taxes with the County. The County thereafter on or before June 15 pays to each school district the amount of its uncollected taxes. Thus, each school district receives its full levy prior to the end of its fiscal year.

Library Budget

The Library's fiscal year begins on July 1 and ends on June 30†. During the winter and early spring, the budget is developed by the Library Director with input from Library department heads. The Library Board further refines the budget. Under current law, the budget is submitted to the voters of the School District on the third Tuesday in May of each year. The 2013-2014 budget was approved by School District voters on May 21, 2013 and the 2014-2015 budget was approved by the School District voters on May 20, 2014. The 2013-2014 and 2014-2015 budgets are included below.

Budget Summaries

	Fiscal Years Ending June 30: 2014	2015
Revenues:		
Tax Revenues	$8,400,000	$9,504,400
Departmental Income	58,000	35,000
Use of Money & Property	3,000	3,500
State Aid	10,000	11,000
Fines and Forfeitures	57,000	45,000
Refund from Prior Years Expense	4,000	4,000
Total Revenues	$8,532,000	$9,603,500
Expenditures:		
Salaries	$4,282,900	$3,348,900
Benefits	2,074,100	2,219,200
Materials	879,900	649,400
Operations	1,263,100	1,155,500
Other	32,000	1,000
Debt Service	-0-	875,000
Total Expenditures	$8,532,000	$9,603,500

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 $27,000,000 coverage on real and personal property, including boiler and machinery, $5,000,000 (aggregate) in liability coverage, $7,000,000 (aggregate) in director and officers liability coverage and automobile worker's compensation and employee liability, crime and electronic data processing coverage.

† Effective after December 31, 2011, the Library changed its fiscal year from a calendar year to a year ending on June 30. The first fiscal period following the fiscal year ending on December 31, 2011, therefore, is a 6-month period ending on June 30, 2012.

Employees

The Library currently employs 41 full-time and 42 part-time individuals, all under the supervision of the Library's Director, of whom 33 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; however, there can be no assurance that such relations will continue.

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 has not elected 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 completed fiscal years.

Fiscal Year Ending	Contribution
2010	$305,599
2011	443,709
2012	603,112
2013	712,344
2014	760,426

Other Post Employment Benefits

The Library provides post-employment healthcare benefits to various categories of former employees. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), 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 June 30, 2013, 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 $8.6 million. The actuarial value of the Plan's assets was $0, resulting in an unfunded actuarial accrued liability ("UAAL") of $8.6 million. For the fiscal year ending June 30, 2014, the Library's annual OPEB cost was $666,694 and the ARC was $712,318. The Library is on a pay-as-you-go funding basis and paid $210,598 for the fiscal year ending June 30, 2014 resulting in a projected year-end Net OPEB obligation of $2,778,445.

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, 2014 and June 30, 2013, audited by R.S. Abrams & Co., LLP and Cullen & Danowski LLP, respectively, Certified Public Accountants (the "Accountants"), are attached as Appendix B to this Official Statement.

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. On November 19, 2013, a special meeting was held by the electorate of the School District wherein, by majority vote, the Library was authorized to undertake the Project and finance the Project through DASNY. The proposition authorized the levy of a tax on behalf of the Library in annual installments not to exceed $875,000 per year for a period of 20 years in connection with the Project.

Below is a summary of the Library's unrestricted revenues and expenses for last five fiscal years. The Library's audited financial statements for the fiscal years ending June 30, 2014 and June 30, 2013 are contained in Appendix B. Effective after December 31, 2011, the Library changed its fiscal year from a calendar year to a year ending on June 30. The first fiscal period following the fiscal year ending on December 31, 2011, therefore, is a 6-month period ending on June 30, 2012. This change was made to facilitate compliance with the Property Tax Cap Law, which requires an annual filing by the Library with the State of New York prior to the adoption of the Library's annual budget. The form available for filing prior to such adoption relates only to a fiscal year beginning in the same calendar year, so the required filing cannot be timely made for a fiscal year beginning in the following calendar year. Further, the amount of the allowable cap for a fiscal year beginning in the following calendar year is not available prior to the adoption of the Library's budget. Therefore, the Library changed its fiscal year to begin on July 1.

Summary of General Fund Revenues and Expenditures

	Fiscal Years Ending:					
	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011	Jun 30, 2012*	Jun 30, 2013	Jun 30, 2014
Revenues:						
Tax revenues	$7,824,000	$7,934,000	$8,141,000	$4,119,000	$8,238,000	$8,734,644
Library charges, fines & fees	86,236	102,660	110,748	51,073	107,439	103,565
Investment Income	22,153	11,961	6,264	1,761	3,842	4,449
New York State Aid	9,853	1,752	49,640	1,053	11,050	11,592
Gifts and Donations	2,475	3,705	2,840	2,845	1,152	4,457
Miscellaneous income	40,075	53,458	41,307	11,009	39,221	59,156
Total Revenues	$7,984,792	$8,107,536	$8,351,799	$4,186,741	$8,400,704	$8,917,863
Expenses:						
Salaries	$4,645,855	$4,571,594	$4,525,456	$2,244,121	$4,108,396	$4,045,293
Employee benefits	1,443,862	1,586,400	1,793,522	955,911	1,935,927	1,966,345
Library materials and programs	833,582	820,183	735,433	385,142	703,216	605,217
Library operations	290,051	323,328	297,277	224,373	326,045	333,886
Building operations	727,320	714,105	871,784	400,357	956,159	974,673
Capital outlay	59,556	42,439	31,231	4,836	28,129	42,854
Interfund transfers	-	-	-	-	-	327,846
Total Expenses	$8,000,226	$8,058,049	$8,254,732	$4,214,740	$8,057,872	$8,296,114
Excess (deficiency) of revenues over expenses	$ (15,434)	$ 49,487	$ 97,067	$ (27,999)	$ 342,832	$ 621,746

* Six-month period of January 1, 2012 through June 30, 2012.

Fund Balances

The table below presents the accumulated liquid funds held in the General Fund for each of the fiscal years ending December 31, 2009 through June 30, 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 Main Building and Special Services Fund, a Branch and Special Services Fund, Automated Library Fund, Special Revenue 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.

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Statement of Financial Position

	Fiscal Years Ending					
	Dec 31, 2009	**Dec 31, 2010**	**Dec 31, 2011**	**Jun 30, 2012***	**Jun 30, 2013**	**Jun 30, 2014**
Assets:						
Cash & Equivalents	$1,874,530	$1,301,890	$1,359,163	$3,730,378	$4,030,234	$4,411,557
School Tax Receivable	1,956,000	2,011,000	2,059,500	-	-	-
Prepaid Insurance	39,943	114,296	46,994	74,275	73,863	-
Prepaid NYS Retirement	76,400	110,928	150,778	-	-	-
Other Prepaid Expenses	102,528	107,703	121,576	147,533	168,615	207,074
Internal Receivables	7,396	67,613	24,543	-	2,298	113,432
Other Receivables	780	-	-	-	-	-
Total Assets	$4,057,577	$3,713,430	$3,762,554	$3,952,186	$4,275,010	$4,732,063
Liabilities:						
Accounts Payable	$127,554	$116,096	$144,154	$131,786	$112,309	$281,959
Internal Payables	185,103	90,022	-	9,430	-	2,806
Payroll Payable	58,708	71,613	85,634	128,703	124,995	138,851
NYS Retirement Payable	-	-	-	177,500	190,107	181,899
Total Liabilities	$371,365	$277,731	$229,788	$447,419	$427,411	$605,515
Fund Balances:						
Unassigned	$3,203,683	$3,177,970	$3,158,293	$3,247,140	$3,546,822	$3,865,431
Appropriated Next Bdgt	390,000	146,000	-	-	-	-
Open Encumbrances	92,529	111,729	55,125	35,819	58,299	54,043
Nonspendable: Prepaids	-	-	319,348	221,808	242,478	207,074
Total Fund Balance	$3,686,212	$3,435,699	$3,532,766	$3,504,767	$3,847,599	$4,126,548
Total Liabilities and Fund Balance	$4,057,577	$3,713,430	$3,762,554	$3,952,186	$4,275,010	$4,732,063

* Fiscal Year end date changed from December 31 to June 30.

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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 June 30	Assessed Value of Taxable Real Property	State Equalization Rate	Full Valuation
2010	$56,776,080	0.33%	$17,204,872,727
2011	54,474,333	0.35	15,564,095,142
2012	49,622,911	0.33	15,037,245,757
2013	45,100,501	0.32	14,093,906,562
2014	43,438,784	0.32	13,574,620,000

Tax Rates Per $1,000 of Assessed Valuation

Year	Library Tax
2009	$145.25
2010	146.61
2011	167.69
2012	186.06
2013	206.81
2014	224.11
2015	262.84

Property Tax Revenue

Fiscal Year Ended	Total Revenues	Real Property Taxes	Real Property Taxes as a Percentage of Total Revenues
December 31, 2010	$8,101,536	$7,934,000	97.9%
December 31, 2011	8,351,799	8,141,000	97.5
June 30, 2012	4,186,741	4,119,000	98.4
June 30, 2013	8,400,704	8,238,000	98.1
June 30, 2014	8,917,863	8,734,644	97.9
June 30, 2015 (Adopted Budget)	9,603,500	9,504,400	99.0

Source: Audited Financial Statements of Great Neck Public Library. Fiscal Year 2015 are budgeted numbers.

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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 2013-2014:

Largest Taxable Properties

Name	Type	Assessed Value
1 Park Lake Success LLC	Office Building	$1,141,016
We're Associates	Office Building	855,437
CLK Marcus Ave Property Owners	Office Building	718,605
LI Power Authority	Utility	541,427
Keyspan Gas East Corp	Utility	534,602
Long Island Lighting Co	Utility	454,392
Lake Success Shopping Center	Shopping Center	378,086
600 Community LLC	Office Building	339,465
1979 Marcus Avenue Associates LLC	Office Building	333,794
Great Neck Plaza	Commercial	270,481
		$5,567,305

The total assessed value of the largest taxable properties listed above represents 12.82% of the Assessed Valuation for the School District.

Source: Nassau County Department of Assessment

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 North Hempstead	Nassau County	New York State
1980	N/A	215,070	1,318,100	17,558,072
1990	N/A	211,289	1,287,348	17,990,455
2000	43,000	222,611	1,334,544	18,976,457
2010	44,000	226,322	1,339,532	19,378,102

Source: U.S. Census Bureau

Selected Wealth and Income Indicators

Per Capita Income

	2000	2010	% Change
Town of North Hempstead	$41,621	$50,156	20.51%
Nassau County	32,151	39,935	24.21
New York State	23,389	30,011	28.31

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 North Hempstead	$114,350	5.4%	11.6%	14.3%	10.2%	58.5%
Nassau County	107,560	6.4	11.8	13.4	13.6	54.8
New York State	65,897	17.0	21.1	17.7	13.3	30.9

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 North Hempstead	Nassau County	New York State
2009	6.3%	6.9%	8.3%
2010	6.4	7.1	8.6
2011	6.0	6.7	8.0
2012	6.2	7.2	8.6
2013	5.3	6.0	7.7

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 the ad valorem taxes authorized by the November 19, 2013 referendum.

PART 5 - THE PROJECT

The electorate of the School District, by vote on November 19, 2013, approved (940 Yes /514 No) a referendum to undertake a project at the Library's main building located at 159 Bayview Avenue, Great Neck, New York (the "Project"). The Project consists of the renovation, alteration, upgrading, equipping and rehabilitation of the Library's 3-story, approximately 42,000 square foot main building. In connection with the construction and renovation, the main building closed for approximately one year commencing in November, 2014. During this time period, the main building's most popular materials and programs will be transferred to the Library's three branch locations. The Station Branch will operate as the Library's temporary hub for public services.

PART 6 – ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds	
Principal Amount of Series 2014 Bonds	$10,400,000.00
Net Original Issue Premium	659,462.20
Library Equity Contribution	425,215.01
Total Sources	$11,484,677.21
Uses of Funds	
Deposit to Construction Fund	$10,763,272.96
Costs of Issuance[1]	245,000.00
Underwriter's Discount	66,248.00
Deposit to Debt Service Fund	410,156.25
Total Uses	$11,484,677.21

[1] Includes legal fees, DASNY fee, and other costs related to the issuance of Series 2014 Bonds.

PART 7 – 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 September 30, 2014, DASNY had approximately $45 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 520 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 55 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 expires on March 31, 2015.

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.

JOHN B. KING, JR., J.D., Ed.D., Commissioner of Education of the State of New York, Slingerlands; ex-officio.

John B. King, Jr. was appointed by the Board of Regents to serve as President of the University of the State of New York and Commissioner of Education on July 15, 2011. As Commissioner of Education, Dr. King 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. He holds a Bachelor of Arts degree in Government from Harvard University, a Master of Arts degree in Teaching of Social Studies from Teachers College, Columbia University, a Juris Doctor degree from Yale Law School and a Doctor of Education degree in Educational Administrative Practice from Teachers College, Columbia University.

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

Howard A. Zucker, M.D., J.D., was appointed Acting Commissioner of Health on May 5, 2014. Prior to his appointment 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 L. MEGNA, Budget Director of the State of New York, Albany; ex-officio.

Robert L. Megna was appointed Budget Director on June 15, 2009. 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, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than $90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of DASNY is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive officer of DASNY. Mr. Williams is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Williams spent the majority of his career in law including 15 years as a founding partner in Wood, Williams, Rafalsky & Harris, where he helped to develop a national bond counsel practice, then as a partner in Bryan Cave LLP, where he counseled corporate clients in a range of areas. Mr. Williams later left the practice of law to help to establish a boutique Wall Street investment banking company where he served as president for several years. Throughout his career, Mr. Williams has made significant efforts to support diversity and promote equal opportunity, including his past service as president of One Hundred Black Men, Inc. and chairman of the Eagle Academy Foundation. Mr. Williams is licensed to practice law in the State of New York and holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

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's degree in Economics from the State University of New York at Plattsburgh and a Master's degree in Business Administration from the University of Massachusetts.

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's degree from the State University of New York at Albany.

LINDA H. BUTTON is the Acting Chief Financial Officer and Treasurer of DASNY. Ms. Button oversees and directs the activities of the Office of Finance. She 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. Ms. Button has served in various capacities at DASNY over a long career, most recently as Director, Financial Management in the Office of Finance. She holds a Bachelor of Business Administration degree in Accounting from Siena College.

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.

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.

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, 2014. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 8 – LEGALITY OF THE SERIES 2014 BONDS FOR INVESTMENT AND DEPOSIT

Under State law, the Series 2014 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 2014 Bonds.

The Series 2014 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 9 – NEGOTIABLE INSTRUMENTS

The Series 2014 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2014 Resolution.

PART 10 – TAX MATTERS

Opinion of Co-Bond Counsel

In the opinion of each of Hodgson Russ LLP and Golden Holley James LLP, Co-Bond Counsel to DASNY, under existing law and assuming compliance by DASNY and the Library with certain covenants and the accuracy and completeness of certain representations of DASNY and the Library, interest on the Series 2014 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations under the Code. Such interest is, however, taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

Co-Bond Counsel are also of the opinion that interest on the Series 2014 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 2014 Bonds nor as to the taxability of the Series 2014 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 various requirements that must be met in order that interest on the Series 2014 Bonds will be and remain excludable from gross income for federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Series 2014 Bonds and the rebate of certain earnings in respect of such investments to the United States. Failure to comply with the requirements of the Code may cause interest on the Series 2014 Bonds to be includable in gross income for purposes of federal income tax retroactive to the date of original execution and delivery of the Series 2014 Bonds, regardless of the date on which the event causing such inclusion occurs. DASNY and the Library have covenanted in the Resolutions, Loan Agreement and the Tax Compliance Agreement to comply with the requirements of the Code and have made representations in such documents addressing various matters relating to the requirements of the Code. The opinions of Co-Bond Counsel assume continuing compliance with such covenants as well as the accuracy of such representations made by DASNY and the Library.

Certain requirements and procedures contained or referred to in the Resolutions, Loan Agreement, the Tax Compliance Agreement and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of Co-Bond Counsel. The opinions of Hodgson Russ LLP and Golden Holley James LLP, state that such firms, as Co-Bond Counsel, express no opinion as to any Series 2014 Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of Bond Counsel other than Hodgson Russ LLP or Golden Holley James LLP, respectively.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2014 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 those Series 2014 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). Co-Bond Counsel further are of the opinion that, for any Series 2014 Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the Owners of the 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 Series 2014 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 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

The Series 2014 Bonds maturing May 1, 2015 through May 1, 2026 (the "Premium Bonds") are being sold to the initial purchasers at prices greater than the stated principal amount thereof. 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. Owners of Premium Bonds are advised to consult with their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. Interest on the Series 2014 Bonds may be subject to backup withholding if such interest is paid to a registered owner who or which (1) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (2) has been identified by the IRS as being subject to backup withholding. Amounts withheld under the backup withholding rules will be paid to the IRS as federal income tax withheld on behalf of the registered owner of the Series 2014 Bonds and will be allowed as a refund or credit against such owner's federal income tax liability (or the federal income tax liability of the beneficial owner of the Series 2014 Bonds, if other than the registered owner).

If an owner purchasing a Series 2014 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 2014 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.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain Federal income tax matters with respect to the Series 2014 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 Series 2014 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 Series 2014 Bonds.

As noted above, interest on the Series 2014 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 Series 2014 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. Prospective purchasers of the Series 2014 Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Series 2014 Bonds may have collateral federal income tax consequences for certain taxpayers, including financial corporations, insurance companies, Subchapter S corporations, certain foreign corporations, individual recipients of social security or railroad retirement benefits, individuals benefiting from the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisers as to any possible collateral consequences of their ownership of, accrual or receipt of interest on, or disposition of the Series 2014 Bonds.

Co-Bond Counsel express no opinion regarding any such collateral federal income tax consequences.

Changes in Law and Post Issuance Events

The opinion of each Co-Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authority and represents Co-Bond Counsel's respective judgment as to the proper treatment of the Series 2014 Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Current and future legislative proposals, if enacted into law, administrative actions or court decisions, at either the federal or state level, may cause interest on the Series 2014 Bonds to be subject, directly or indirectly, to federal income taxation or to be subjected to state income taxation, or otherwise have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2014 Bonds for federal or state income tax purposes. The introduction or enactment of any such legislative proposals, administrative actions or court decisions may also affect, perhaps significantly, the value or marketability of the Series 2014 Bonds. For example, proposals have been made that could limit the exclusion from gross income of interest on obligations like the Series 2014 Bonds for taxpayers who are individuals and whose income is subject to higher marginal tax rates or that could otherwise significantly reduce the benefit of the exclusion from gross income of interest on obligations like the Series 2014 Bonds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the Series 2014 Bonds may occur. Prospective purchasers of the Series 2014 Bonds should consult their own advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Co-Bond Counsel's engagements with respect to the Series 2014 Bonds end with the issuance of the Series 2014 Bonds. The IRS 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, neither Co-Bond Counsel is obligated to defend DASNY or the Bondholders regarding the tax-exempt status of the Series 2014 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than DASNY and its appointed counsel, including the Bondholders, 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 IRS positions with which DASNY legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2014 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, the Series 2014 Bonds, and may cause DASNY, the Library or the Bondholders 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 2014 Bonds may affect the tax status of interest on the Series 2014 Bonds. Co-Bond Counsel express no opinion as to any Federal, state or local tax law consequences with respect to the Series 2014 Bonds, or the interest thereon, if any action is taken with respect to the Series 2014 Bonds or the proceeds thereof upon the advice or approval of other counsel.

Form of Opinion of Co-Bond Counsel

The form of the approving opinion of Co-Bond Counsel is attached hereto as Appendix E. See "Form of Approving Opinions of Co-Bond Counsel" in APPENDIX E.

PART 11 – STATE NOT LIABLE ON THE SERIES 2014 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 Resolution specifically provides that the Series 2014 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 12 – 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 13 – LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2014 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 2014 Bonds. The proposed form of each such opinion is set forth in Appendix E hereto. Certain legal matters will be passed upon for the Underwriter by its Counsel, Gonzalez Saggio & Harlan LLP, New York, New York. Certain legal matters will be passed upon for the Library by its special counsel, Orrick, Herrington & Sutcliffe, LLP, New York, New York and Bee Ready Fishbein Hatter & Donovan, LLP, Mineola, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2014 Bonds or questioning or affecting the validity of the Series 2014 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 finance the Project in accordance with the provisions of the Act, the Resolution, the Series 2014 Resolution and the Loan Agreement.

PART 14 – UNDERWRITING

Roosevelt & Cross Incorporated (the "Underwriter") has agreed, subject to certain conditions, to purchase the Series 2014 Bonds from DASNY at an aggregate purchase price of $10,993,214.20 (which represents the par amount of the Series 2014 Bonds, less the Underwriter's discount of $66,248.00, plus net premium of $659,462.20) and to make a public offering of Series 2014 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 2014 Bonds if any are purchased.

The Series 2014 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.

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"), the Library has undertaken in a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Bondholders to provide to Digital Assurance Certification LLC ("DAC"), as DASNY's disclosure dissemination agent, on or before 150 days after the end of each fiscal year, commencing with the fiscal year of the Library ending June 30, 2015, for filing by DAC with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system for municipal securities disclosures, on an annual basis, operating data and financial information of the type hereinafter described which is included in "PART 4 – THE LIBRARY" of this Official Statement (the "Annual Information"), together with the Library's annual financial statements prepared in accordance with U.S. generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with such generally accepted auditing standards; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to the MSRB.

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from the Library, DAC has undertaken in the Continuing Disclosure Agreement, on behalf of and as agent for the Library and DASNY, to file such information and financial statements, as promptly as practicable, but no later than three business days after receipt of the information by DAC from the Library, with the MSRB.

The Library also will undertake in the Continuing Disclosure Agreement to provide to DASNY, the Trustee and DAC, in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the "Notices"). In addition, DASNY has undertaken, for the benefit of the Bondholders, to provide such Notices to DAC, should DASNY receive actual notice of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the Library, the Trustee or DASNY, DAC will file the Notices with the MSRB in a timely manner. With respect to the Series 2014 Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure

Agreement. DAC's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Library has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, Audited Financial Statements, Notices or any other information, disclosures or notices provided to it by the Library, the Trustee or DASNY and shall not be deemed to be acting in any fiduciary capacity for DASNY, the Library, the Holders of the Series 2014 Bonds or any other party. DAC has no responsibility for the failure of the Library or DASNY to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the Library, the Trustee or DASNY has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Library, the Trustee and DASNY with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as DASNY's disclosure dissemination agent terminate, DASNY will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information means annual information concerning the Library which consists of financial and operating data of the type included in this Official Statement for the Library, which shall include information as described in "PART 4 – THE LIBRARY" under the headings "ANNUAL FINANCIAL STATEMENT INFORMATION" (unless such information is included in the audited financial statements of the Library) and "OPERATING DATA – Valuations, Tax Rates and Levies," together with a narrative explanation, if necessary to avoid misunderstanding, regarding the presentation of financial and operating data concerning the Library.

The Notices include notices of any of the following events (each a "Notice event") with respect to the Series 2014 Bonds: (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 other material events with respect to or affecting the tax-exempt status of the Series 2014 Bonds; (7) modifications to the rights of Holders of the Series 2014 Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2014 Bonds, if material; (11) rating changes; (12) tender offers; (13) bankruptcy, insolvency, receivership or similar event of the Library; (14) merger, consolidation or acquisition of the Library, if material; (15) appointment of a successor or additional trustee or the change of name of a trustee, if material; and (16) failure to provide annual financial information as required. In addition, DAC will undertake, for the benefit of the Holders of the Series 2014 Bonds, to provide to the MSRB in a timely manner, notice of any failure by the Library to provide the Annual Information and Audited Financial Statements by the date required in the Library's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement described above is an action to compel specific performance of the undertaking of DAC, the Library, the Trustee and/or DASNY, and no person, including any Holder of the Series 2014 Bonds, may recover monetary damages thereunder under any circumstances. DASNY or the Library may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2014 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2014 Bonds, or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of the Series 2014 Bonds; provided, however, that the Trustee is not required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2014 Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution, the Series 2014 Resolution or the Loan Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The Continuing Disclosure Agreement may be amended or modified without consent of the Holders of the Series 2014 Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2014 Bonds will be on file at the principal office of DASNY.

PART 16 – RATING

Moody's Investors Service ("Moody's") has assigned a rating of "Aaa" to the Series 2014 Bonds. Such rating reflects only the views of such rating agency and any desired explanation of the significance of such rating or any outlooks or other statements with respect thereto should be obtained from the rating agency at the following addresses: Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There is no assurance that such rating will prevail for any given period of time or that it 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 the rating may have an adverse effect on the market price of the Series 2014 Bonds.

PART 17 – MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolution, the Series 2014 Resolution, the Collection Agreement, and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2014 Resolution, the Collection Agreement, and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2014 Resolution, the Collection Agreement, and the Loan Agreement are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of the Series 2014 Bonds are fully set forth in the Resolution and the Series 2014 Resolution. Neither any advertisement of the Series 2014 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2014 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 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 Agreement," "Appendix D – Summary of Certain Provisions of the Resolution," and "Appendix E – Form of Approving Opinions of Co-Bond Counsel" have been prepared by Hodgson Russ LLP, Albany, New York, and Golden Holley James LLP, Albany, New York, Co-Bond Counsel.

"Appendix B –Financial Statements of the Great Neck Library and Independent Auditors' Report" contains certain audited financial statements of the Library for the years ended June 30, 2014 and June 30, 2013 and the reports of the Library's independent auditors, R.S. Abrams & Co., LLP and Cullen & Danowski LLP, respectively, on such financial statements.

The information regarding the Library, the Project, the Tax Referendum, and the Purpose of the Issue was supplied by the Library. DASNY believes that this information is reliable, but DASNY makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

The Library has reviewed the parts of this Official Statement under the headings "PART 1 – INTRODUCTION – Purpose of the Issue" and "– The Library," "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS – Authorization of Project, Payment and Tax Levy," "PART 4 – THE LIBRARY," "PART 5 – THE PROJECT," "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS," and "Appendix B – Financial Statements of Great Neck Library and Independent Auditors' Report." The Library shall certify as of the dates of sale and delivery of the Series 2014 Bonds that such 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 Library has 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/ Paul T. Williams, Jr.
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 Resolution and the Loan Agreement, 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 Resolution and/or the Loan Agreement.

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 DASNY 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 DASNY.

Authority Fee means the fee payable to DASNY consisting of all of DASNY'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 DASNY.

Authorized Officer means (i) in the case of DASNY, 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 DASNY to perform such act or execute such document; (ii) in the case of the Institution, when used with reference to any act or document, means the person or persons authorized by a resolution or the by-laws of the Institution to perform such act or execute such document; and (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, an Assistant Corporate Trust Officer, a Trust Officer, an Assistant Trust Officer or an Authorized Signatory 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 DASNY authorized and issued pursuant to the Resolution and to a Series Resolution.

Bond Counsel means an attorney or law firm appointed by DASNY 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 DASNY 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 Agreement dated as of the date of issuance of the Series 2014 Bonds, or any other agreement, by and among the Institution, the Town of North Hempstead, the Great Neck Union Free School District, the Trustee and DASNY executed in connection with the issuance of a Series of Bonds, as the same shall have been amended, supplemented or otherwise modified.

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 contract or 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.

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

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 DASNY, in connection with the foregoing.

Cost or *Costs of the Project* means costs and expenses determined by DASNY 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 DASNY 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 DASNY 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 DASNY issued to make loans to the Institution for Costs of a Project, "Cost of a Project" 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.

DASNY 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 DASNY.

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 DASNY 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 DASNY;

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

(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.

Institution or *Library* means Great Neck Library, a not-for-profit corporation organized on January 9, 1889 and duly incorporated by the Secretary of State on February 21, 1889, and existing under the laws of the State and operating pursuant to the applicable provisions thereof including the applicable provisions of the Education Law and the Not-For-Profit Corporation Law of the State of New York, as a free association library. The Library is located in the Great Neck Union Free School District of Great Neck and North New Hyde Park, part of the Town of North Hempstead, New York.

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*, DASNY, 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.

Library District means the area coterminous with that of the School District, which is located on the north shore of Long Island wholly within the Town of North Hempstead, New York. The School District includes all or portions of the Villages of Great Neck, Great Neck Estates, Great Neck Plaza, Kensington, Lake Success, Russell Gardens, Saddle Rock, and Thomaston.

Loan Agreement means a Loan Agreement or any other agreement, by and between DASNY 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 DASNY in form and substance satisfactory to an Authorized Officer of DASNY, 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 DASNY.

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 DASNY's security interest in the Project Levy) with the prior written consent of DASNY.

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 DASNY 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 DASNY 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 DASNY 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 the Public Funds authorized to be paid by the Institution by referendum of the qualified voters of the Library District approved on such date or dates and in an aggregate annual amount not less than the aggregate Maximum Annual Debt Service on all Series of Bonds issued pursuant to the Resolution and then Outstanding, which in the case of the Series 2014 Bonds, shall mean the referendum of the qualified voters of the Library District approved on November 19, 2013 authorizing an annual levy in an annual amount not to exceed $875,000.

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 DASNY; 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 DASNY, 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.

Refunding Bonds means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to 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.

Resolution means the Great Neck Library Revenue Bond Resolution, 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 DASNY 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.

School District means Great Neck Union Free School District, part of the Town of North Hempstead, New York.

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 DASNY authorizing the issuance of a Series of Bonds adopted by DASNY pursuant to the Resolution.

Series 2014 Bonds means DASNY's Great Neck Library Revenue Bonds, Series 2014 authorized by the Series 2014 Resolution.

Series 2014 Project means the Project more particularly described in the Loan Agreement.

Series 2014 Resolution means DASNY's Series Resolution Authorizing Up To $10,400,000 Great Neck Library Revenue Bonds, Series 2014.

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 (or such other date as is set forth in the applicable Series Resolution or Bond Series Certificate) for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by DASNY by reason only of the maturity of a Bond, and said future date 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.

Supplemental Resolution means any resolution of DASNY 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 DASNY and the Institution, including the appendices, schedules and exhibits thereto, executed in connection with the issuance of the Bonds in which DASNY and the

Institution make representations and agreements as to arbitrage and compliance with the 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.

FINANCIAL STATEMENTS OF
GREAT NECK LIBRARY AND INDEPENDENT AUDITORS' REPORT

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GREAT NECK LIBRARY
GREAT NECK, NY

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

GREAT NECK LIBRARY
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Robert S. Abrams
(1926–2014)

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Great Neck Library

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Great Neck Library, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Great Neck Library, as of June 30, 2014, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 3 through 9 and 29 through 31, 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 Boards, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014 on our consideration of Great Neck Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Great Neck Library's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 14, 2014

GREAT NECK LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

The Great Neck Library's (the "Library") discussion and analysis of the financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2014 in comparison with the fiscal year ended June 30, 2013, with emphasis on the current year. This should be read in conjunction with the Library's financial statements, which immediately follow this section.`

1) <u>FINANCIAL HIGHLIGHTS</u>

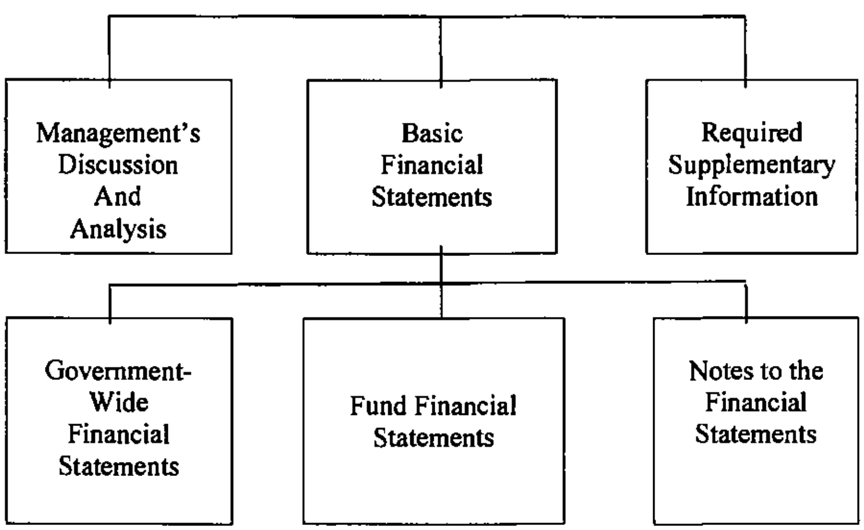
Key financial highlights for fiscal year 2014 are as follows:

- Revenues on the government-wide financials increased to $8,921,687 in fiscal year ending June 30, 2014 from $8,402,772 in fiscal year ending June 30, 2013 largely attributable to the increase in real property taxes and grants.
- Expenditures on the government-wide financials decreased to $8,596,553 for the fiscal year ended June 30, 2014 from $8,777,582 in fiscal year ending June 30, 2013 largely attributable to a decrease in contractual expense, offset by a decrease in personal services and depreciation.

2) <u>OVERVIEW OF THE FINANCIAL STATEMENTS</u>

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. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1: Organization of the Library's Annual Financial Report



A. Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business. There are two government-wide 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 if cash flows related to the events.

i) The Statement of Net Position

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

ii) The Statement of Activities

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

B. Fund Financial Statements

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library can be divided into two categories: governmental funds and proprietary funds.

i) Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains six individual governmental funds: general, main building and special services, branch and special services, automated library, special revenue and permanent funds, each of which is considered to be a major fund and is presented separately in the financial statements.

3) FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

A. Net Position

The Library's net position increased by $325,134 between fiscal year 2014 and 2013. A summary of the Library's Statement of Net Position is as follows:

	2014	2013	$ Change	% Change
Current assets	$ 6,394,354	$ 5,724,625	$ 669,729	11.70%
Capital assets, net	2,359,775	2,096,526	263,249	12.56%
Total Assets	$ 8,754,129	$ 7,821,151	$ 932,978	11.93%
Other liabilities	$ 602,709	$ 444,476	$ 158,233	35.60%
Compensated absences	113,566	120,051	(6,485)	-5.40%
Net other postemployment benefits obligation	2,778,445	2,322,349	456,096	19.64%
Total Liabilities	3,494,720	2,886,876	607,844	21.06%
Net position				
Net investment in capital assets	2,359,775	2,096,526	263,249	12.56%
Restricted	25,000	25,000	-	0.00%
Unrestricted	2,874,634	2,812,749	61,885	2.20%
Total Net Position	5,259,409	4,934,275	325,134	6.59%
Total Liabilities and Net Position	$ 8,754,129	$ 7,821,151	$ 932,978	11.93%

Current assets increased by $669,729 compared to the prior year, primarily due to larger bank deposits at year end.

Capital assets (net of depreciation) increased by $263,249, as compared to the prior year. This was primarily attributable to capital asset additions, net of current year depreciation.

Other liabilities increased by $158,233, as compared to the prior year, primarily due to an increase in accounts payable due to the timing of when bills were paid.

Compensated absences decreased by $6,485 from prior year due to more vacation and sick time being used than earned at year end.

The net investment in capital assets, relates to investment in capital assets at cost such as land, construction in progress, buildings and improvements, leasehold improvements and furniture and equipment, net of depreciation and related debt.

The restricted amount relates to the Library's permanent endowment. This number has remained the same.

The unrestricted amount of $2,874,634 relates to the balance of the Library's net position. This number includes the Library's other fund balances less unfunded liabilities such as compensated absences. This number increased from June 30, 2013 by $61,885.

The Library's total net position increased by $325,134 or 6.59%; from $4,934,275 at June 30, 2013 to $5,259,409 at June 30, 2014.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the fiscal years ended June 30, 2014 and 2013 is as follows:

	Fiscal Year 2014	Fiscal Year 2013	Increase/ (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for services	$ 103,565	$ 107,439	$ (3,874)	-3.61%
Local library and services aid	11,592	11,050	542	4.90%
Grants	38,795		38,795	100.00%
General Revenues				
Real property taxes and other tax items	8,734,644	8,238,000	496,644	6.03%
Other	33,091	46,283	(13,192)	-28.50%
Total Revenues	8,921,687	8,402,772	518,915	6.18%
Expenses				
Personal services	6,461,249	6,544,993	(83,744)	-1.28%
Contractual and other expenses	2,000,846	2,073,190	(72,344)	-3.49%
Depreciation	134,458	159,399	(24,941)	-15.65%
Total Expenses	8,596,553	8,777,582	(181,029)	-2.06%
Change in Net Position	$ 325,134	$ (374,810)	$ 699,944	-186.75%

The Library's revenues increased by $518,915 or 6.18%. The increase is due primarily to an increase in Real Property Taxes. Additionally, the Library received grant revenue they did not receive in the prior year.

The Library's expenses for the year decreased by $181,029 or 2.06%. This was due to keeping salary costs down.

4) FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

At June 30, 2014, the Library's governmental funds reported a combined fund balance of $5,791,645 which is an increase of $511,496 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 changes in fund balance by fund is as follows:

	2014	2013	Increase/ (Decrease)	Total Percentage Change
General				
Nonspendable: prepaids	$ 207,074	$ 242,478	$ (35,404)	-14.60%
Assigned: general support services	54,043	58,299	(4,256)	-7.30%
Unassigned: fund balance	3,865,431	3,546,822	318,609	8.98%
	4,126,548	3,847,599	278,949	7.25%
Main Building & Special Services Fund				
Assigned: unappropriated fund balance	1,144,235	912,004	232,231	25.46%
Branch & Special Services Fund				
Assigned: unappropriated fund balance	101,722	152,680	(50,958)	-33.38%
Automated Library				
Assigned: unappropriated fund balance	66,875	14,235	52,640	369.79%
Special Revenue Fund				
Assigned: unappropriated fund balance	327,265	328,631	(1,366)	-0.42%
Permanent Fund				
Restricted: endowment purposes	25,000	25,000	-	0.00%
Total fund balance	$ 5,791,645	$ 5,280,149	$ 511,496	9.69%

A. General Fund
In 2014, the general fund reported revenues of $8,917,863 and expenditures of $8,296,114. The Library was able to keep all expenditures under budget with the exception of interfund transfers.

B. Main Building and Special Services fund
The net change in main building and special services fund- fund balance is an increase of $232,231. This was the result of an interfund transfer from the general fund of $294,055, a planned transfer in fund balance from the general fund of $300,000 and interest income of $1,143, offset by $362,967 in expenditures related to mainly to architect fees for upcoming building renovations.

C. Branch and Special Services Fund
The net change in the branch and special services fund total fund balance is decrease of $50,958 resulting from $51,030 of expenditures related to various repairs, offset by $72 of interest income.

D. Automated Library Fund
The net change in the automated library fund- fund balance is an increase of $52,640. This was the result of an interfund transfer from the general fund of $33,791, a planned transfer in fund balance from the general fund of $42,800 and interest income of $34, offset by $23,985 in expenditures related to server maintenance costs.

E. Special Revenue fund
The net change in special revenue fund- fund balance is a decrease of $1,366. This decrease was due to expenditures that were greater than interest earnings and donations.

F. Permanent Fund
The nonspendable endowment remained the same as prior year. Earnings within the fund are reflected in the special revenue fund.

5) GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2013-2104 Budget

The Library's general fund adopted budget, as approved by voters, for the year ended June 30, 2014 was $8,532,000. This amount was increased by encumbrances in the prior year of $58,299 for a total final budget of $8,590,299.

The budget was funded through a combination of revenues and appropriated fund balance. That majority of this funding was $8,400,000 in estimated property taxes.

B. Change in the 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 residual of prior years' excess revenues over expenditures, net of transfers to reserves and assignments. It is the balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budged follows:

Opening Unassigned Fund Balance	$ 3,546,822
Revenues Over Budget	385,863
Expenditures and Encumbrances Over Budget	240,142
Decrease in Nonspendable Prepaids	35,404
Other Changes in Fund Balance	(342,800)
Ending Unassigned Fund Balance	$ 3,865,431

The revenues over budget of $385,863 were primarily related to an increase in real property taxes and other tax items increasing as a result of the Library receiving PILOT payments in the current year. (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances over budget of $240,142 were primarily related to interfund transfers being over budget offset by contractual and salaries expenditures being under budget. (see

Supplemental Schedule #1 for detail).

The change in nonspendable fund balance is the result of prepaid expenditures decreasing by $35,404 from prior year.

6) CAPITAL ASSETS

At June 30, 2014 the Library had invested in various capital assets, as indicated by the table below. The net decrease in capital assets is due to capital asset additions of $397,707 offset by depreciation expense of $134,458. The breakdown by major asset group is as follows:

	2014	2013	Change
Land	$ 598,833	$ 598,833	$ -
Construction in progress	369,613	38,250	331,363
Buildings and improvements	2,159,911	2,159,911	-
Leasehold improvements	1,471,580	1,471,580	-
Furniture and equipment	2,004,068	1,937,724	66,344
Sub-Total	6,604,005	6,206,298	397,707
Less: accumulated depreciation	(4,244,230)	(4,109,772)	(134,458)
Total Net Capital Assets	$ 2,359,775	$ 2,096,526	$ 263,249

7) ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Library's 2014/2015 budget was approved. The approved budget of $9,603,500 represents a 12.56% increase over last year's approved budget.

8) CONTACTING LIBRARY FINANCIAL MANAGMENT

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

Ms. Laura Weir
Interim Library Director
Great Neck Library
159 Bayview Avenue
Great Neck, NY 11023

GREAT NECK LIBRARY
STATEMENT OF NET POSITION
June 30, 2014

ASSETS		
Cash and cash equivalents		
Unrestricted cash	$	6,162,280
Restricted cash		25,000
Prepaids		207,074
Capital assets, net		2,359,775
Total Assets	$	8,754,129
LIABILITIES		
Accounts payable	$	281,959
Accrued liabilities		138,851
Due to employees' retirement system		181,899
Long-term liabilities		
Due and payable within one year		
Compensated absences payable		91,116
Due and payable after one year		
Compensated absences payable		22,450
Net other postemployment benefits obligation		2,778,445
Total Liabilities		3,494,720
NET POSITION		
Net investment in capital assets		2,359,775
Restricted		
Endowment Purposes		25,000
Unrestricted		2,874,634
Total Net Position		5,259,409
Total Liabilities and Net Position	$	8,754,129

See notes to financial statements

GREAT NECK LIBRARY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

EXPENSES	
LIBRARY SERVICES	
Personal services	$ 6,461,249
Contractual and other expenses	2,000,846
Depreciation	134,458
Total Program Expenses	8,596,553
PROGRAM REVENUES	
Charges for services	103,565
Local library services aid	11,592
Grants	38,795
Total Program Revenues	153,952
Net Program Expense	8,442,601
GENERAL REVENUES	
Real property taxes and other tax items	8,734,644
Other revenues	33,091
Total General Revenues	8,767,735
Change in Net Position	325,134
Total Net Position - Beginning of Year	4,934,275
Total Net Position - End of Year	$ 5,259,409

See notes to financial statements

GREAT NECK LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General	Capital: Main Building & Special Services	Capital: Branch & Special Services	Capital: Automated Library	Special Revenue	Permanent	Total Governmental Funds
ASSETS							
Cash and cash equivalents							
Unrestricted cash	$ 4,411,557	$ 1,257,667	$ 101,722	$ 64,269	$ 327,065		$ 6,162,280
Restricted cash						$ 25,000	25,000
Due from other funds	113,432			2,606	200		116,238
Prepaids	207,074						207,074
Total Assets	$ 4,732,063	$ 1,257,667	$ 101,722	$ 66,875	$ 327,265	$ 25,000	$ 6,510,592
LIABILITIES							
Accounts payable	$ 281,959	$ -	$ -	$ -	$ -	$ -	$ 281,959
Accrued liabilities	138,851						138,851
Due to other funds	2,806	113,432					116,238
Due to employees' retirement system	181,899						181,899
Total Liabilities	605,515	113,432	-	-	-	-	718,947
FUND BALANCES							
Nonspendable:							
Prepaids	207,074						207,074
Restricted							
Endowment purposes						25,000	25,000
Assigned:							
General fund purposes	54,043						54,043
Other purposes		1,144,235	101,722	66,875	327,265		1,640,097
Unassigned fund balance	3,865,431						3,865,431
Total Fund Balance	4,126,548	1,144,235	101,722	66,875	327,265	25,000	5,791,645
Total Liabilities and Fund Balances	$ 4,732,063	$ 1,257,667	$ 101,722	$ 66,875	$ 327,265	$ 25,000	$ 6,510,592

See notes to financial statements

GREAT NECK LIBRARY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

Total Governmental Fund Balances			$	5,791,645
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	$	6,604,005		
Accumulated depreciation		(4,244,230)		
				2,359,775
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 consisted of:				
Compensated absences payable	$	(113,566)		
Net other postemployment beenfits obligation		(2,778,445)		
				(2,892,011)
Total Net Position			$	5,259,409

See notes to financial statements

GREAT NECK LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

		Capital					
	General	Main Building & Special Services	Branch & Special Services	Automated Library	Special Revenue	Permanent	Total Governmental Funds
REVENUES							
Real property taxes	$ 8,400,000	$ -	$ -	$ -	$ -	$ -	$ 8,400,000
PILOT payments	334,644						334,644
Library charges, fines & fees	103,565						103,565
Use of money and property	4,449	1,143	72	34	720	55	6,473
Gifts and donations	4,457				1,800		6,257
Miscellaneous	20,361						20,361
Local library services aid	11,592						11,592
Grants	38,795						38,795
Total Revenues	8,917,863	1,143	72	34	2,520	55	8,921,687
EXPENDITURES							
Salaries	4,045,293						4,045,293
Equipment	42,854	362,951					405,805
Contractual and other expenditures	1,913,776	16	51,030	23,985	3,941		1,992,748
Employee benefits	1,966,345						1,966,345
Total Expenditures	7,968,268	362,967	51,030	23,985	3,941	-	8,410,191
Excess (Deficiency) of Revenues Over Expenditures	949,595	(361,824)	(50,958)	(23,951)	(1,421)	55	511,496
OTHER FINANCING SOURCES AND (USES)							
Operating transfers in		294,055		33,791	55		327,901
Operating transfers (out)	(327,846)					(55)	(327,901)
Total Other Financing Sources and (Uses)	(327,846)	294,055		33,791	55	(55)	-
Net Change in Fund Balance	621,749	(67,769)	(50,958)	9,840	(1,366)	-	511,496
Other Changes in Fund Balance	(342,800)	300,000		42,800			-
Fund Balance - Beginning of Year	$ 3,847,599	$ 912,004	$ 152,680	$ 14,235	328,631	25,000	5,280,149
Fund Balance - End of Year	$ 4,126,548	$ 1,144,235	$ 101,722	$ 66,875	$ 327,265	$ 25,000	$ 5,791,645

See notes to financial statements

GREAT NECK LIBRARY
RECONCILITATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balance		$ 511,496
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.		
Decrease in compensated absences payable	$ 6,485	
Increase in net other postemployment benefits obligation	(456,096)	
		(449,611)
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 exceeds capital outlays in the period.		
Capital outlays	$ 397,707	
Depreciation expense	(134,458)	
		263,249
Change in Net Position		$ 325,134

See notes to financial statements

1) SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Great Neck Library (the "Library") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. 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 described below.

A. Financial Reporting Entity

The Library is organized under the provisions and 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, a free association library, contracts annually with the Board of Education of Great Neck Union Free School District to provide library services to the people of the district in return for tax revenues. The Library Board of Trustees is responsible for the approval of the proposed budget and oversight of the Library's management's control and disbursement of funds and maintenance of assets. The Library's management is responsible for day-to-day operations.

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

i) 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. Eliminations have been made to minimize the double counting of interfund transactions.

The Statement of Net Position presents the financial position of the Library at fiscal year end. The Statement of Activities program revenues include (1) charges to the recipient or applicant who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) grants, contribution and other revenues that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Fund Financial Statements

The Library uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government transactions or activities. The fund statements provide information about the Library's governmental funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Library reports the following major fund categories:

Governmental Funds

General Fund - This is the principal operating fund of the Library. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other funds are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

Main Building and Special Services Fund- This fund is used to account for resources devoted to the renovation and improvements to the main building, as well as special services approved by the Board.

Branch and Special Services Fund- This fund is used to account for resources devoted to the renovation and improvements by the branch buildings (Lakeville, Parkville and Station), as well as special services approved by the Board.

Automated Library Fund- This fund is used to account for resources devoted to acquiring and integrating into Library operations new technological advances that will help improve the services of the Library.

Special Revenue Fund- This fund is used to account for the financial transactions of donor resources in connection with the Library's endowment fund and other donations. Funds may be used for purposes that support the Library's programs as specified by the donor.

Permanent Fund- This fund is used to account for the financial transactions of donor resources in connection with the Library's endowment funds. Funds are not spendable; however, some of the interest on funds may be used for purposes that support the Library's programs as specified and are transferred to the Special Revenue Fund.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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 flows take place. Nonexchange transactions, in which the Library gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied and the related expenditures are incurred.

The fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Revenues are recognized when measurable and available. The Library considers all revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, compensated absences and other post employment benefits, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds.

D. Contract Revenues / Real Property Taxes

The Library receives its contract revenues in the form of real property taxes from the Great Neck Union Free School District (the "District"). The District remits the Library's share of the tax levy to the Library in installments throughout the fiscal year.

E. 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 the transfer of expenditure and revenues 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 the other funds in accordance with budgetary authorizations.

In the government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). 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 may be 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.

Refer to Note 6 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

F. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position 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.

G. 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 statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Cash and Cash Equivalents

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

Certain cash balances are restricted by various legal and contractual publications, such as donor restriction.

I. Prepaid Items

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

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 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.

J. Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. All capital assets are value at historical cost or estimated historical cost if the actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Costs incurred for repairs and maintenance are expensed as incurred.

All capital assets, except land and construction in progress, 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 financial statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	$ 500	Straight Line	40 Years
Leasehold improvements	$ 500	Straight Line	40 Years
Furniture and equipment	$ 500	Straight Line	5-15 Year

K. Vested Employee Benefits- Compensated Absences

Compensated absences consist of unpaid sick leave and vacation time.

Sick leave eligibility and accumulation is specified in employment 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 employment agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken in 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 only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources.

L. Other Benefits

Eligible Library employees participate in the New York State and Local Employees' Retirement System. Library employees may become eligible for these benefits if they reach normal retirement age while working for the Library.

Library employees may choose to participate in the Library's elective deferred compensation plans established under Internal Revenue Code Section 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. Employment 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 employee for other than individual coverage. The Library recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

M. Equity Classifications

Government-wide financial statements

In the government-wide financial 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 improvements of those assets.

Restricted net position – reports a restricted portion of 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 net position – reports the balance of net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the Library.

Fund Financial Statements

The Library follows the guidance under GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

i) Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance consists of endowment funds and prepaids.

ii) Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

iii) Committed fund balance – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Library's highest level of decision making authority (i.e. Board of Trustees). The Library has no committed fund balances.

iv) Assigned fund balance – Includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating responsibility to the Library's management through Board policies. Assigned fund balance also includes encumbrances not classified as restricted at the end of the fiscal year

v) Unassigned fund balance – Includes the residual fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the Library.

N. Equity Classifications

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27,* effective for the year ending June 30, 2015.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations,* effective for fiscal years ending June 30, 2015.

GASB has issued Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68,* effective for the years ending June 30, 2015.

The Library will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

2) EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the fund financial statements and the government-wide financial statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental 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. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

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

i) 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 of accounting, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital related differences

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

3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The Library administration prepares a tentative budget for approval by the Board of Trustees for the general fund, the only fund with a legally adopted budget. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year 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). 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. There were no supplemental appropriations that occurred during the fiscal year.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward.

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.

The general fund had an excess of actual expenditures over budget for the year.

The Library made interfund transfers during the year, which exceeded amounts provided in the Library's budget.

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 assigned fund balance 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

A. Cash

The Library's investments policies are governed by state statutes and Library policy. Library monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. 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 deposits, money market 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. 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. While the Library does not have a specific policy for custodial credit risk, New York State statutes govern the Library's investment policies, as discussed previously in these Notes.

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:

i) Uncollateralized;

ii) Collateralized with securities held by the pledging financial institution in the Library's name; or

iii) Collaterálized with 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.

Restricted Cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2014 included $25,000 in the permanent fund.

5) CAPITAL ASSETS

The breakdown by major assets group at June 30, 2014 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets that are not depreciated				
Land	$ 598,833			$ 598,833
Construction and work in progress	38,250	$ 331,363		369,613
Total capital assets not being depreciated	637,083	331,363	-	968,446
Capital assets that are depreciated:				
Buildings and improvements	2,159,911			2,159,911
Leasehold improvements	1,471,580			1,471,580
Furniture and equipment	1,937,724	66,344		2,004,068
Total capital assets being depreciated	5,569,215	66,344	-	5,635,559
Less accumulated depreciation for				
Buildings and improvements	2,003,917	6,078		2,009,995
Leasehold improvements	501,465	73,579		575,044
Furniture and equipment	1,604,390	54,801		1,659,191
Total accumulated depreciation	4,109,772	134,458	-	4,244,230
Total capital assets being depreciated, net	1,459,443	(68,114)	-	1,391,329
Total capital assets, net	$ 2,096,526	$ 263,249	$ -	$ 2,359,775

Depreciation expense was $134,458.

6) INTERFUND TRANSACTIONS

	Receivable	Payable	Revenues	Expenditures
General Fund	$ 113,432	$ 2,806		$ 327,846
Main Building & Special Services Fund		113,432	$ 294,055	
Automated Library	2,606		33,791	
Special Revenue Fund	200		55	
Permanent Fund				55
Totals	$ 116,238	$ 116,238	$ 327,901	$ 327,901

All interfund payables are expected to be repaid within one year.

7) LONG-TERM LIABILITIES

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Compensated absences payable	$ 120,051		$ (6,485)	$ 113,566	$ 91,116

The general fund has typically been used to liquidate compensated absences.

8) PENSION PLANS

A. General Information

The Library participates in the New York State and Local Employees' Retirement System (ERS) (the "System"). This is a cost-sharing multiple-employer, public employee retirement system. The System provides retirement benefits as well as death and disability benefits. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

B. Provisions and Administration

The System provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or accessed at www.osc.state.ny.us/retire/publications/index.php.

C. Funding Policy

The System is noncontributory for the employees who joined prior to July 27, 1976. Those who joined the System after July 27, 1976 and prior to January 1, 2010 are required to contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. Those employees who joined after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout their 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 State Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulated fund.

The Library is required to contribute at an actuarially determined rate. The Library contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were as follows:

	ERS
2014	$ 760,426
2013	$ 712,344
2012	$ 603,112

D. Tax Sheltered Annuities:

The Library has adopted a 403 (b) plan covering all eligible employees. The Library makes no contributions into this Plan. 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, 2014, totaled $252,061.

E. 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 June 30, 2014 totaled $34,550.

9) POST EMPLOYMENT BENEFITS

A. Plan Description:

The Library provides medical insurance and Medicare Part B reimbursement to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit health care plan primarily administered through New York Health Insurance Program- Empire Plan. The Plan does not issue a stand-alone financial report.

B. Funding Policy:

The Library shares the cost of premiums with retirees. The contribution requirements are determined by the collective bargaining agreements between the Library and the Great Neck Library Staff Association. For full-time employees who retired from the Library prior to January 1, 2006, the Library will pay for 100% of the amount for the retiree's individual policy premium and 50% of family cost in excess of individual cost. For full-time employees who retired from the Library on or after January 1, 2006, the Library will pay the same percentage amount in effect at the time of their active employment immediately prior to retirement. The Library recognizes 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 a general fund expenditure of approximately $211,000 for insurance premiums for about 34 currently enrolled retirees. Currently, there is no provision in the law to permit the Library to fund other post employment benefits by any means other than the "pay as you go" method. Therefore, there are no plan assets and no report is issued.

C. Annual OPEB Cost and Net OPEB Obligation:

The Librarys's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Library annual OPEB cost for the year, the amount contributed to the Plan, and changes in the Library net OPEB obligation to the Plan:

Annual required contribution (ARC)	$ 712,318
Interest on net OPEB obligation	46,447
Adjustment to Annual Required Contribution (ARC)	(92,071)
Annual OPEB cost (expense)	666,694
Contributions made	(210,598)
Increase in net OPEB obligation	456,096
Net OPEB obligation-beginning of year	2,322,349
Net OPEB obligation-end of year	$ 2,778,445

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the current and preceding two years was as follows:

Fiscal Year Ending	Required Contribution	OPEB Cost	OPEB Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/14	$712,318	$666,694	$210,598	31.6%	$2,778,445
6/30/13	$701,791	$665,272	$201,786	30.3%	$2,322,349
12/31/11	$898,085	$887,677	$245,632	27.7%	$1,858,863

D. Funded Status and Funding Progress:

As of June 30, 2013, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was $8,584,577, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $8,584,577. The covered payroll (annual payroll of active employees covered by the plan) was $2,831,552, and the ratio of the UAAL to the covered payroll was 303.2%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the health care trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows 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 plan members) and include the types of benefits in force at the valuation date and the historical pattern of sharing benefit costs between the Library and the 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 June 30, 2013 actuarial valuation prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate of 2.0% and an annual healthcare cost trend rate of 9% initially, reduced by 1% decrements to an ultimate rate of 4.7% percent after 10 years and a 1.5% inflation rate. The UAAL is being amortized using the level dollar amortization method over a period not to exceed 30 years.

10) RISK MANAGEMENT

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

11) FUND BALANCES- ASSIGNED

All encumbrances are classified as assigned fund balance. At June 30, 2014, the Library encumbered the following amounts:

Assigned: Unappropriated Fund Balance	
General Fund	
Books	$39,318
Office repairs and rentals	14,725
	$54,043

12) COMMITMENTS AND CONTINGENCIES

A. Litigation

As of June 30, 2014, the Library is unaware of any pending or threatened litigation or unasserted claims or assessments against the Library which require disclosure.

B. Operating Leases

The Library leases both office equipment and space for its three branch locations. The Station branch lease expires June 2025, the Parkville branch lease expires October 2018, and the Lakeville branch lease expires April 2017.

The July 2014 rental lease payments were prepaid June 2014. The future minimum lease commitments are detailed as follows:

Fiscal Year Ending June 30,	Station Branch	Parkville Branch	Lakeville Branch	Office Equipment	Total Minimum Payments
2015	229,281	107,048	104,197	5,367	445,893
2016	233,865	111,330	107,690	5,367	458,252
2017	238,541	115,783	86,348	3,334	444,006
2018	243,311	120,414		1,389	365,114
2019	248,176	40,659			288,835
2020-2024	1,317,330				1,317,330
2025	279,479				279,479
	2,789,983	495,234	298,235	15,457	3,598,909

GREAT NECK LIBRARY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

For the Fiscal Year Ended June 30, 2014

	Original Budget	Revised Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	$ 8,400,000	$ 8,400,000	$ 8,400,000	$ -
Other tax items - PILOT payments			334,644	334,644
Total Local Sources	8,400,000	8,400,000	8,734,644	334,644
Other Local Revenue				
Library charges, fines & fees	104,000	100,000	103,565	3,565
Interest	2,500	2,500	4,449	1,949
Gifts and donations	1,500	1,500	4,457	2,957
Miscellaneous	14,000	18,000	20,361	2,361
Total Other Local Sources	122,000	122,000	132,832	10,832
State Sources				
Local library service aid	10,000	10,000	11,592	1,592
Grants			38,795	38,795
Total State Sources	10,000	10,000	50,387	40,387
Total Revenues	8,532,000	8,532,000	$ 8,917,863	$ 385,863
APPROPRIATED FUND BALANCE				
Prior Year's Encumbrances	58,299	58,299		
Total Appropriated Fund Balance	58,299	58,299		
Total Revenues, Other Sources and Appropriated Fund Balance	$ 8,590,299	$ 8,590,299		

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.

GREAT NECK LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance with Actual and Encumbrances
EXPENDITURES					
Salaries	$ 4,282,900	$ 4,282,900	$ 4,045,293		$ 237,607
Equipment	32,000	34,000	42,854		(8,854)
Contractual					
Books	369,010	344,010	224,559	$ 39,318	80,133
Electronic research	29,500	27,500	25,663		1,837
Electronic media	145,000	148,000	128,099		19,901
Audio visual	130,189	130,289	84,393		45,896
Periodicals	61,600	63,600	56,387		7,213
Programs	93,000	93,000	86,116		6,884
Office supplies	61,500	63,000	52,869		10,131
Library supplies	77,400	77,900	64,707		13,193
Telephone	67,500	70,000	69,098		902
Postage	20,500	21,000	20,775		225
Public relations	22,500	24,000	22,759		1,241
Travel, education, conference	18,500	15,000	11,435		3,565
Professional fees	54,900	44,900	23,075		21,825
Computer support services	42,500	64,000	66,879		(2,879)
Memberships	2,700	2,700	2,289		411
Office repairs and rentals	111,900	113,800	106,980	14,725	(7,905)
Utilities	232,900	234,300	209,421		24,879
Custodial	72,000	76,100	70,652		5,448
Building operations and repairs	72,700	64,700	59,513		5,187
Fire and liability insurance	75,000	81,000	80,014		986
Rent expenses	440,500	440,500	434,557		5,943
MTA tax	14,600	14,600	13,536		1,064
Total Contractual	2,215,899	2,213,899	1,913,776	54,043	246,080
Employee Benefits					
NYS employees' retirement system	739,000	761,000	752,218		8,782
Social security expenditures	327,400	327,400	303,709		23,691
Workers' compensation insurance	38,400	38,400	34,577		3,823
Unemployment insurance	10,400	10,400			10,400
NYS disability insurance	12,100	12,100	10,957		1,143
Hospital and medical insurance	870,800	848,800	806,355		42,445
Medicare	61,400	61,400	58,529		2,871
Total Employee Benefits	2,059,500	2,059,500	1,966,345	-	93,155
Other Financing Uses					
Interfund Transfers			327,846		(327,846)
TOTAL EXPENDITURES	$ 8,590,299	$ 8,590,299	8,296,114	$ 54,043	$ 240,142
Net change in fund balances			621,749		
Other Changes in Fund Balance:					
Planned transfer to Main Building and Special Services			300,000		
Planned transfer to Automated Library			42,800		
Total Other Changes in Fund Balance			342,800		
Fund balance - beginning of year			3,847,599		
Fund balance - end of year			$ 4,126,548		

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.

See paragraph on supplementary schedules included in independent auditor's report

GREAT NECK LIBRARY
SCHEDULE OF FUNDING PROGRESS- OTHER POST EMPLOYMENT BENEFITS
JUNE 30, 2014

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrual Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	$0	$8,584,577	$8,584,577	0%	$2,831,552	303.2%
December 31, 2011 (update)	0	10,040,770	10,040,770	0%	3,167,616	317.0%
December 31, 2009	0	10,040,770	10,040,770	0%	3,140,103	319.8%

See Paragraph on supplementary schedules included in Independent Auditor's Report

GREAT NECK
LIBRARY ASSOCIATION

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT

June 30, 2013

GREAT NECK LIBRARY ASSOCIATION
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CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Great Neck Library Association
Great Neck, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Great Neck Library Association (Library), as of and for the year ended June 30, 2013, 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 the 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 of 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 financial statement presentation.

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

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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 each major fund of the Great Neck Library Association, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the Library has adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as of June 30, 2013.

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 schedule of funding progress – other postemployment benefits on pages 3 through 11 and 32 through 34, 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 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.

Cullen & Danowski, LLP

September 24, 2013

GREAT NECK LIBRARY ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Great Neck Library Association'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, 2013 in comparison with the year ended December 31, 2011 (the most recent full year of audited financial statements since June 30, 2012 was a shortened 6 month fiscal year due to the Library changing year end to June 30th from December 31st), with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

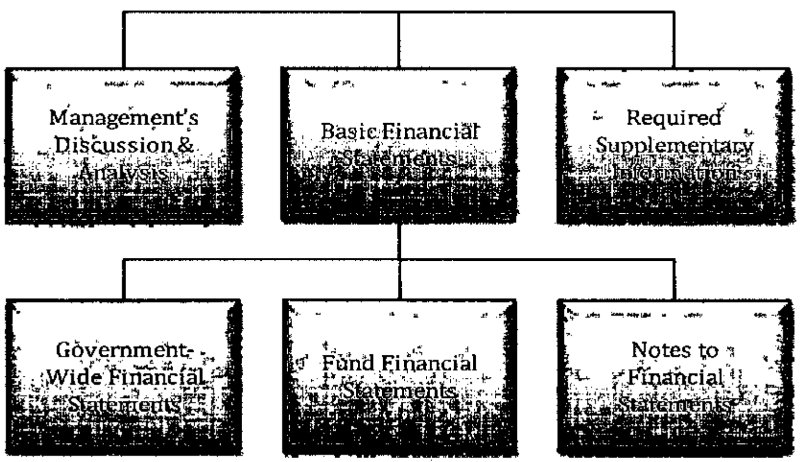
Key financial highlights for fiscal year 2013 are as follows:

- The Library's total net position, as reflected in the government-wide financial statements, decreased by $374,810. The Library's operating revenues and expenses for the year, as reflected in the government-wide financial statements, were $8,402,772 and $8,777,582, respectively.

- The general fund's total fund balance, as reflected in the funds financial statements, increased by $342,832 to $3,847,599. This was the result of revenues of $8,400,704 in excess of expenditures of $8,057,872 based on the modified accrual basis of accounting.

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 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, 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 Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains six individual governmental funds: general, main building and special services, branch and special services, automated library, special revenue and permanent funds, 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

The Library adopted a change in year end from calendar year December 31st to fiscal year June 30th to more closely align with their normal operating cycle. As a result financial statements previously issued for the Library were as of June 30, 2012 (short year) and December 31, 2011 (full year). The financial analysis of the information that follows references the full year December 30, 2011 financial statements.

A. Net Position

The Library's total net position decreased by $572,869 between June 30, 2013 and December 31, 2011. A summary of the Library's Statement of Net Position is as follows:

	June 30, 2013	December 31, 2011	Increase (Decrease)	Percentage Change
Current and Other Assets	$ 5,724,625	$ 5,451,840	$ 272,785	5.00 %
Capital Assets, Net	2,096,526	2,226,822	(130,296)	(5.85)%
Total Assets	7,821,151	7,678,662	142,489	1.86 %
Current and Other Liabilities	444,476	229,788	214,688	93.43 %
Long-Term Liabilities	120,051	82,867	37,184	44.87 %
Net Other Postemployment				
Benefits Obligation	2,322,349	1,858,863	463,486	24.93 %
Total Liabilities	2,886,876	2,171,518	715,358	32.94 %
Net Position				
Net Investment in Capital Assets	2,096,526	2,226,822	(130,296)	(5.85)%
Restricted	25,000	25,000	-	-
Unrestricted	2,812,749	3,255,322	(442,573)	(13.60)%
Total Net Position	$ 4,934,275	$ 5,507,144	$ (572,869)	(10.40)%

Current and other assets increased by $272,785, as compared to December 31, 2011. The increase is primarily related to larger bank deposits at year end offset by less receivables – real property taxes due to the timing of the year end.

Capital assets decreased by $130,296, as compared to December 31, 2011. This decrease is due to depreciation expense, net of capital asset additions. The accompanying Notes to Financial Statements, Note 6 "Capital Assets" provides additional information.

Current and other liabilities increased by $214,688, as compared to December 31, 2011. This increase is primarily in connection with the Library's liability to the employees' retirement system for the period April 1, 2013 through June 30, 2013. At December 31, 2011 a prepaid asset was recorded for early payment of the period January 1, 2012 through March 31, 2012 liability.

Long-term liabilities increased by $37,184, as compared to the prior year. This increase is primarily the result of an increase in the compensated absences liability, due to timing of vacation and sick time earned, but not used by fiscal year end.

Net other postemployment benefits obligation in the amount of $2,322,349 has been included in accordance with the implementation of GASB Statement No. 45. The accompanying Notes to Financial Statements, Note 10 "Postemployment Benefits", provides additional information.

The net investment in capital assets, relates to the investment in capital assets at cost such as land; construction in progress; buildings and improvements; and, furniture, fixtures and equipment, net of depreciation and related debt.

The restricted amount of $25,000 relates to the Library's permanent endowment. This number has remained the same.

The unrestricted amount of $2,812,749 relates to the balance of the Library's net position. This number includes the Library's other fund balances less unfunded liabilities such as compensated absences. This number decreased from December 31, 2011 by $442,573.

The Library's total net position decreased by $572,869 or 10.40%; $4,934,275 at June 30, 2013, compared to $5,507,144 at December 31, 2011.

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, 2013 and December 31, 2011 is as follows:

	June 30, 2013	December 31, 2011	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for services	$ 107,439	$ 110,748	$ (3,309)	(2.99)%
Local library services aid	11,050	9,481	1,569	16.55 %
State grants		110,486	(110,486)	(100.00)%
General Revenues				
Real property taxes	8,238,000	8,141,000	97,000	1.19 %
Other revenues	46,283	56,882	(10,599)	(18.63)%
Total Revenues	8,402,772	8,428,597	(25,825)	(0.31)%
Expenses				
Personal Services	6,544,993	6,970,844	(425,851)	(6.11)%
Contractual and Other Expenses	2,073,190	2,036,758	36,432	1.79 %
Depreciation	159,399	197,733	(38,334)	(19.39)%
Total Expenses	8,777,582	9,205,335	(427,753)	(4.65)%
Decrease in Net Position	$ (374,810)	$ (776,738)	$ 401,928	(51.75)%

The Library's net position decreased by $374,810 and $776,738 for the years ended June 30, 2013 and December 31, 2011, respectively.

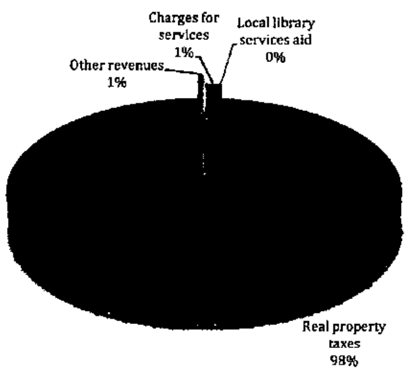
The Library's total revenues decreased by $25,825 or 0.31%. The major factor that contributed to the decrease was that the Library did not receive state grant revenues during the current year. In 2011, the Library received a construction grant.

The Library's expenditures for the year decreased by $427,753 or 4.65%. The major contributing factor to this decrease was less salary expense due to the separation and retirement of staff members. This was in part offset by higher employee benefit costs.

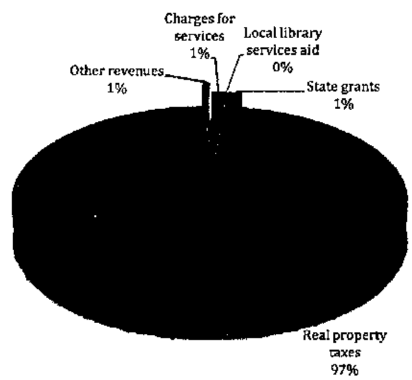
As indicated on the pie charts that follow, real property taxes is the largest component of revenues recognized (i.e., 98% and 97% of the total for the years ended June 30, 2013 and December 31, 2011, respectively). Salaries is the largest category of expenses incurred (i.e., 76% and 74% of the total for the years ended June 30, 2013 and December 31, 2011, 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:

June 30, 2013

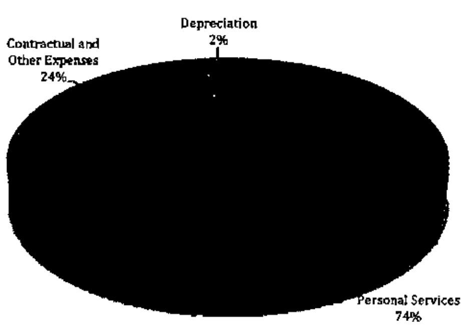


December 31, 2011

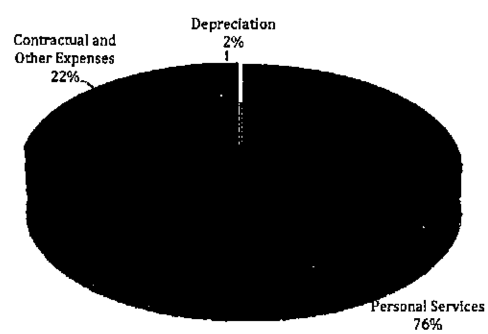


A graphic display of the distribution of expenses for the two years follows:

June 30, 2013



December 31, 2011



4. FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

At June 30, 2013, the Library's governmental funds reported a combined fund balance of $5,280,149 which is an increase of $197,359 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:

	2013	2012	Changes
General Fund			
Nonspendable: Prepaids	$ 242,478	$ 221,808	$ 20,670
Assigned: General support purposes	58,299	35,819	22,480
Unassigned: Fund balance	3,546,822	3,247,140	299,682
	3,847,599	3,504,767	342,832
Main Building & Special Services Fund			
Assigned: Unappropriated fund balance	912,004	1,012,303	(100,299)
Branch & Special Services Fund			
Assigned: Unappropriated fund balance	152,680	152,608	72
Automated Library Fund			
Assigned: Unappropriated fund balance	14,235	52,716	(38,481)
Special Revenue Fund			
Assigned: Unappropriated fund balance	328,631	335,396	(6,765)
Permanent Fund			
Nonspendable: Endowment purposes	25,000	25,000	-
Total Fund Balance	$ 5,280,149	$ 5,082,790	$ 197,359

A. General Fund

In 2013, the general fund reported revenues of $8,400,704 and expenditures of $8,057,872. The Library was able to keep salary and related benefit expenditures below budget as various employees who separated from the Library during the year were not immediately replaced.

B. Main Building & Special Services Fund

The net change in main building and special services fund – fund balance is a decrease of $100,299. This resulted from expenditures related to the replacement purchase of a Library van, installation of an emergency generator to supply power to the servers, the digitization of records, and planning costs related to the anticipated referendum for the main building renovation and other main building renovation and special service costs, offset by interest earnings of $1,149.

C. Branch and Special Services Fund

The net change in the branch and special services fund total fund balance is an increase of $72; this resulted from interest earning on the fund's cash balances.

D. Automated Library Fund

The net change in the automated library fund-fund balance is a decrease of $38,481. This resulted from expenditures which included server replacement costs, subscription costs for Encore interface enhancement, and the installation of wireless access points, which exceeded interest earnings.

E. Special Revenue Fund

The net change in the special revenue fund – fund balance is a decrease of $6,765. This decrease was due to expenditures that were greater than interest earnings and donations.

F. Permanent Fund

The nonspendable endowment remained the same as the prior year. Earnings within the fund are reflected in the special revenue fund.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2012-13 Budget

The Library's general fund adopted budget, as approved by the voters, for the year ended June 30, 2013 was $8,413,000. This amount was increased by encumbrances carried forward from the prior year in the amount of $35,819 for a total final budget of $8,448,819.

The budget was funded through a combination of revenues and appropriated fund balance. The majority of this funding source was $8,238,000 in estimated property taxes.

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 assignments. It is this balance that is commonly referred to as the "fund balance". 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	$ 3,247,140
Revenues Under Budget	(12,296)
Expenditures and Encumbrances Under Budget	332,648
Increase in Nonspendable Prepaids	(20,670)
Closing, Unassigned Fund Balance	$ 3,546,822

Opening, Unassigned Fund Balance

The $3,247,140 shown in the table is the portion of the Library's June 30, 2012 fund balance that was retained as unassigned.

Revenues Under Budget

The 2012-13 budget for revenues was $8,413,000. Actual revenues received for the year were $8,400,704. Actual revenues were less than estimated or budgeted revenues by $12,296. This variance contributes directly to the change to the general fund unassigned fund balance from June 30, 2012 to June 30, 2013.

Expenditures and Encumbrances Under Budget

The 2012-13 budget for expenditures, including prior year open encumbrances as of June 30, 2012, was $8,448,819. Actual expenditures as of June 30, 2013 were $8,057,872 and outstanding encumbrances were $58,299. Combined, the expenditures plus encumbrances for 2012-13 were $8,116,171. The final budget was under expended by $332,648. This variance contributes directly to the change to the general fund unassigned fund balance from June 30, 2012 to June 30, 2013.

Increase in Nonspendable Prepaids

The Library prepaid various periodical subscriptions, insurance premiums, rent payments and other costs at June 30, 2013. An amount of fund balance is classified as nonspendable. The increase in nonspendable fund balance of $20,670, reduces unassigned fund balance.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the Library will begin the 2013-14 fiscal year with an unassigned fund balance of $3,546,822. This is an increase of $299,682 over the unassigned fund balance from the prior year.

6. CAPITAL ASSETS

At June 30, 2013, the Library's investment in capital assets totaled $2,096,526, which is a decrease of $71,499 from December 31, 2011. The decrease is due to depreciation expense of $159,399, in excess of capital assets additions of $87,900. A summary of the Library's capital assets, not including library materials and artwork, net of depreciation at June 30, 2013 and 2012 is as follows:

	2013	2012	Increase (Decrease)
Land	$ 598,833	$ 598,833	$ -
Construction in progress	38,250		38,250
Buildings and improvements	155,994	160,046	(4,052)
Leasehold improvements	970,115	1,043,695	(73,580)
Furniture, fixtures and equipment	333,334	365,451	(32,117)
Capital assets, net	$ 2,096,526	$ 2,168,025	$ (71,499)

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 May 21, 2013, for the year ending June 30, 2014, is $8,532,000. This is an increase of $119,000 or 1.41% over the previous year's budget. The increase is principally in the materials and programs ($53,000) and employee benefit ($79,700) areas of the budget, and reflects a decrease in salaries $(45,200).

The Library budgeted operating revenues at a $43,000 decrease from the prior year's estimate. This decrease is principally within the budgeting of Library fines. A property tax revenue increase of 1.97% was needed to meet the revenue shortfall and cover the increase in projected expenditures.

B. Future Budgets

Significant increases in costs of employee benefits (particularly state retirement system contributions and health insurance) and the property tax cap will greatly impact the Library's future budgets.

C. Tax Cap

Chapter 97 of the 2011 Laws of New York limits the increase in the property tax levy of local governments to the lesser of 2% or the rate of inflation effective for the 2012-13 fiscal year. There are additional statutory adjustments in the law. 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 2.42%. The 1.97% increase in the tax levy was within the tax cap.

D. Tax Certiorari

A Nassau County Local Law was passed in 2010 whereby the liability for a school district/library property tax deficiency existing or arising from a decrease in real property assessments or taxes that is due a taxpayer (tax certiorari judgments) will become that of the school district/library, rather than the County. The legislation was scheduled to take effect during the 2012-13 year; however, the law is being challenged in the courts. In the latest ruling (February 2013), the Appellate Division unanimously ruled against the County. The County has appealed the ruling to the Court of Appeals, whose ruling is not expected until 2014. As the ultimate outcome cannot be determined at this time, no liability is reflected in the financial statements. If the County prevails and the County Guaranty is repealed, the tax certiorari judgments may create significant liabilities for the Library.

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. Laura Weir
Interim Library Director
Great Neck Library Association
159 Bayview Avenue
Great Neck, NY 11023

GREAT NECK LIBRARY ASSOCIATION
Statement of Net Position
June 30, 2013

ASSETS	
Cash	$ 5,482,147
Prepaids	242,478
Capital assets, net	2,096,526
Total Assets	7,821,151
LIABILITIES	
Accounts payable	129,374
Accrued liabilities	124,995
Due to employees' retirement system	190,107
Long-term liabilities	
Due and payable within one year	
Compensated absences payable	98,697
Due and payable after one year	
Compensated absences payable	21,354
Net other postemployment benefits obligation	2,322,349
Total Liabilities	2,886,876
NET POSITION	
Net investment in capital assets	2,096,526
Restricted	25,000
Unrestricted	2,812,749
Total Net Position	$ 4,934,275

GREAT NECK LIBRARY ASSOCIATION
Statement of Activities
For The Year Ended June 30, 2013

EXPENSES	
LIBRARY SERVICES	
Personal services	$ 6,544,993
Contractual and other expenses	2,073,190
Depreciation	159,399
Total Program Expenses	8,777,582
PROGRAM REVENUES	
Charges for services	107,439
Local library services aid	11,050
Total Program Revenues	118,489
Net Program Expense	8,659,093
GENERAL REVENUES	
Real property taxes	8,238,000
Other revenues	46,283
Total General Revenues	8,284,283
Change in Net Position	(374,810)
Total Net Position - Beginning of year	5,309,085
Total Net Position - End of year	$ 4,934,275

GREAT NECK LIBRARY ASSOCIATION
Balance Sheet - Governmental Funds
June 30, 2013

	General	Main Building & Special Services	Branch & Special Services	Automated Library	Special Revenue	Permanent	Total Governmental Funds
ASSETS							
Cash	$ 4,030,234	$ 929,836	$ 153,998	$ 14,235	$ 328,844	$ 25,000	$ 5,482,147
Due from other funds	2,298						2,298
Prepaids	242,478						242,478
Total Assets	$ 4,275,010	$ 929,836	$ 153,998	$ 14,235	$ 328,844	$ 25,000	$ 5,726,923
LIABILITIES							
Accounts payable	$ 112,309	$ 16,852	$	$	$ 213	$	$ 129,374
Accrued liabilities	124,995						124,995
Due to other funds		980	1,318				2,298
Due to employees' retirement system	190,107						190,107
Total Liabilities	427,411	17,832	1,318	-	213	-	446,774
FUND BALANCES							
Nonspendable:							
Prepaids	242,478						242,478
Endowment purposes						25,000	25,000
Assigned:							
General fund purposes	58,299						58,299
Other purposes		912,004	152,680	14,235	328,631		1,407,550
Unassigned fund balance	3,546,822						3,546,822
Total Fund Balances	3,847,599	912,004	152,680	14,235	328,631	25,000	5,280,149
Total Liabilities and Fund Balances	$ 4,275,010	$ 929,836	$ 153,998	$ 14,235	$ 328,844	$ 25,000	$ 5,726,923

GREAT NECK LIBRARY ASSOCIATION
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013

Total Governmental Fund Balances		$ 5,280,149
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	$ 6,206,298	
Accumulated depreciation	(4,109,772)	
		2,096,526
Long-term liabilities are not due and payable in the current period and, therefore, are are reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Compensated absences payable	(120,051)	
Net other postemployment benefits obligation	(2,322,349)	
		(2,442,400)
Total Government-wide Net Position		$ 4,934,275

GREAT NECK LIBRARY ASSOCIATION
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2013

	General	Main Building & Special Services	Branch & Special Services	Automated Library	Special Revenue	Permanent	Total Governmental Funds
REVENUES							
Real property taxes	$ 8,238,000	$	$	$	$	$	$ 8,238,000
Library charges, fines & fees	107,439						107,439
Use of money and property	3,842	1,149	72	18	677	50	5,808
Gifts and donations	1,152				102		1,254
Miscellaneous	39,221						39,221
Local library services aid	11,050						11,050
Total Revenues	8,400,704	1,149	72	18	779	50	8,402,772
EXPENDITURES							
Salaries	4,108,396						4,108,396
Equipment	28,129	101,448		38,499			168,076
Contractual and other expenditures	1,985,420				7,594		1,993,014
Employee benefits	1,935,927						1,935,927
Total Expenditures	8,057,872	101,448	-	38,499	7,594	-	8,205,413
Excess (Deficiency) of Revenues Over Expenditures	342,832	(100,299)	72	(38,481)	(6,815)	50	197,359
OTHER FINANCING SOURCES AND (USES)							
Operating transfers in					50		50
Operating transfers (out)						(50)	(50)
Total Other Financing Sources and (Uses)	-	-	-	-	50	(50)	-
Net Change in Fund Balances	342,832	(100,299)	72	(38,481)	(6,765)	-	197,359
Fund Balances - Beginning of Year	3,504,767	1,012,303	152,608	52,716	335,396	25,000	5,082,790
Fund Balances - End of Year	$ 3,847,599	$ 912,004	$ 152,680	$ 14,235	$ 328,631	$ 25,000	$ 5,280,149

See Notes to Financial Statements

GREAT NECK LIBRARY ASSOCIATION
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, 2013

Net Change in Fund Balances		$ 197,359
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 payable	$ (37,184)	
Increase in net other postemployment benefits obligation	(463,486)	
		(500,670)
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 exceeds capital outlays in the period.		
Capital outlays	87,900	
Depreciation expense	(159,399)	
		(71,499)
Change in Net Position of Governmental Activities		$ (374,810)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Great Neck Library Association (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 organized under the provisions and 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, a free association library, contracts annually with the Board of Education of the Great Neck Union Free School District to provide library services to the people of the district in return for tax revenues. 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 responsible for day-to-day operations.

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. Eliminations have been made to minimize the double counting of interfund transactions.

The Statement of Net Position presents the financial position of the Library at fiscal year end. 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, each displayed in a separate column. The Library's financial statements reflect the following major 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.

Main Building and Special Services Fund - is used to account for resources devoted to the renovation and improvements to the main building, as well as special services approved by the Board.

Branch and Special Services Fund – is used to account for resources devoted to the renovation and improvements to the branch buildings (Lakeville, Parkville and Station), as well as special services approved by the Board.

Automated Library Fund – is used to account for resources devoted to acquiring and integrating into Library operations new technological advances that will help improve the services of the Library.

Special Revenue Fund – is used to account for the financial transactions of donor resources in connection with the Library's endowment fund and other donations. Funds may be used for purposes that support the Library's programs as specified by the donor.

Permanent Fund – is used to account for the financial transactions of donor resources in connection with the Library's endowment funds. Funds are not spendable; however, some of the interest earned on funds may be used for purposes that support the Library's programs as specified and are transferred to the special revenue fund.

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 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, compensated absences, 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.

D. Contract Revenues / Real Property Taxes

The Library receives its contract revenues in the form of real property taxes from the Great Neck Union Free School District (District). The District remits the Library's share of the tax levy to the Library in installments throughout the fiscal year.

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. 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, payables, transfers in and transfers out 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

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.

I. Prepaid Items

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

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 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.

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 and construction in progress, 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 & leasehold improvements	$ 500	40 years
Furniture, fixtures and equipment	500	5 to 15 years

K. Vested Employee Benefits – Compensated Absences

Compensated absences consist of unpaid accumulated sick leave and vacation time.

Sick leave eligibility and accumulation is specified in employment 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 employment 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 only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources.

L. Other Benefits

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

Library employees may choose to participate in the Library's elective deferred compensation plans established under Internal Revenue Code Section 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. Employment 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 employee for other than individual coverage. The Library recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

M. 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 or deferred outflows of resources 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 and are deemed to be available for general use by the Library.

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 endowment funds and 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 not established any restricted fund balances.

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 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. In funds other than the general fund, the unassigned classification should be 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 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

A. GASB Statement No. 63

GASB released GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was implemented by the Library during the year ended June 30, 2013. GASB 63 requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. Deferred outflows and inflows relate to service concession agreements and certain derivative transactions. In addition, it amends certain provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related pronouncements to report the difference between assets plus deferred outflow and liabilities plus deferred inflows as net position rather than net assets.

B. GASB Statement No. 65

GASB released GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*, which was implemented by the Library during the year ended June 30, 2013. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

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 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 two 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 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.

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.

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 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. No supplemental appropriations occurred during the year.

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 other 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.

C. Over Expenditure of Certain Appropriations

Certain general fund appropriations were over expended. These were in the following appropriation categories of the budget: contractual and other expenditures and employee benefits. 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. 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 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.

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.

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2013 were as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Governmental activities				
Capital assets not being depreciated				
Land	$ 598,833	$ -	$	$ 598,833
Construction work in progress	-	38,250		38,250
Total capital assets not being depreciated	598,833	38,250	-	637,083
Capital assets being depreciated				
Buildings and improvements	2,159,911	-		2,159,911
Leasehold improvements	1,471,580	-		1,471,580
Furniture, fixtures and equipment	1,902,171	49,650	(14,097)	1,937,724
Total capital assets being depreciated	5,533,662	49,650	(14,097)	5,569,215
Less accumulated depreciation for:				
Buildings and improvements	1,999,865	4,052		2,003,917
Leasehold improvements	427,885	73,580		501,465
Furniture and equipment	1,536,720	81,767	(14,097)	1,604,390
Total accumulated depreciation	3,964,470	159,399	(14,097)	4,109,772
Capital assets, net	$ 2,168,025	$ (71,499)	$ -	$ 2,096,526

Depreciation expense was $159,399.

7. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2013, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	$ 2,298	$	$	$
Main Building & Special Services Fund		980		
Branch & Special Services Fund		1,318		
Special Revenue Fund			50	
Permanent Fund				50
Total	$ 2,298	$ 2,298	$ 50	$ 50

All interfund balances are considered short-term operating loans and are expected to be repaid. Interfund receivables and payables are eliminated on the Statement of Net Position.

8. LONG-TERM LIABILITIES

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

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Compensated absences	$ 82,867	$ 37,184	$	$ 120,051	$ 98,697

The general fund has typically been used to liquidate other long-term liabilities.

9. PENSION PLANS

A. General Information

The Library participates in the New York State and Local Employees' Retirement System (NYSERS). This is a cost-sharing multiple employer, public employee retirement system. The NYSERS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

B. Provisions and Administration

The NYSERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, Office of the State Comptroller, 110 State Street, Albany, NY 12244.

C. Funding Policies

Plan members who joined the NYSERS 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 shall certify annually the rates expressed as proportions of members' payroll annually, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Library is required to contribute at an actuarially determined rate. The Library contributions made to the system were equal to 100% of the contributions required for each year. The Library's share of the required contributions for the current year and two preceding years were:

Year	Required Contribution
2013	$ 712,344
2012	603,112
2011	443,709

D. 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 June 30, 2013 totaled $47,580.

E. 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, 2013, totaled $238,649.

10. POSTEMPLOYMENT BENEFITS

A. Plan Description

The Library provides medical insurance and Medicare Part B reimbursement 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 retirees. The contribution requirements are determined by the collective bargaining agreements between the Library and the Great Neck Library Staff Association. For full-time employees who retired from the Library prior to January 1, 2006, the Library will pay 100% of the amount for the retiree's individual policy premium and 50% of family cost in excess of individual cost. For full-time employees who retired from the Library on or after January 1, 2006, the Library will pay the same percentage amount in effect at the time of their active employment immediately prior to retirement. The Library recognizes 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, 2013, the Library recognized a general fund expenditure of approximately $202,000 for insurance premiums for about 34 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). The Library has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. 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)	$ 701,791
Interest on net OPEB obligation	37,177
Adjustment to ARC	(73,696)
Annual OPEB cost (expense)	665,272
Age adjusted contributions made	(201,786)
Increase in net OPEB obligation	463,486
Net OPEB obligation - beginning of year	1,858,863
Net OPEB obligation - end of year	$ 2,322,349

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, 2013 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, 2013	$ 665,272	30.3%	$ 2,322,349
December 31, 2011	887,677	27.7%	1,858,863
December 31, 2010	866,815	28.6%	1,216,818

D. Funded Status and Funding Progress

As of June 30, 2013, the plan was 0% funded. The actuarial accrued liability for benefits was $8,584,577 and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $8,584,577. The covered payroll (annual payroll of active employees covered by the plan) was $2,935,038, 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

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 June 30, 2013, alternative measurement valuation, the entry age normal cost method was used. The actuarial assumptions included a 2.0% discount rate and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 4.7% after ten years and a 1.5% inflation rate. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2013, was 26 years.

11. RISK MANAGEMENT

General Information

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 a combination of self-insurance reserves and commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

12. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2013, the Library encumbered the following amounts:

Assigned: Unappropriated fund balance	
General Fund	
Books	$ 51,610
Audio visual	6,689
	58,299
Main Building and Special Services Fund	12,750
Automated Library Fund	7,500
	$ 78,549

B. Litigation

General

The Library may be involved in lawsuits arising from the normal conduct of its affairs. Management believes that the outcome of any matters will not have a material effect on these financial statements.

Tax Certiorari

A Nassau County local law was passed in 2010 whereby the liability for a school district/library property tax deficiency existing or arising from a decrease in real property assessments or taxes that is due a taxpayer (tax certiorari judgments) will become that of the school district/library, rather than the County. The legislation was scheduled to take effect during the 2012-13 year; however, the law is being challenged in the courts. In the latest ruling (February 2013), the four-judge Appellate Division panel unanimously ruled against the County. The County has appealed the ruling. However, the ultimate outcome cannot be determined at this time. Consequently, no liability is reflected in the financial statements. If the County prevails, the tax certiorari judgments can create significant liabilities for the Library.

C. Operating Leases

The Library leases both office equipment and space for its three branch locations. The Station branch lease expires June 2025, the Parkville branch lease expires October 2018, and the Lakeville branch lease expires April 2017.

The July 2013 rental lease payments were prepaid in June 2013. The future minimum lease commitments are detailed as follows:

Fiscal Year Ending June 30,	Station Branch	Parkville Branch	Lakeville Branch	Office Equipment	Total Minimum Payments
2014	$ 209,715	$ 94,577	$ 93,170	$ 2,502	$ 399,964
2015	233,292	107,044	97,018	208	437,562
2016	237,960	111,328	103,308		452,596
2017	242,724	115,784	88,590		447,098
2018	247,572	120,416			367,988
2019-2023	1,314,168	40,660			1,354,828
2024-2025	563,196				563,196
	$ 3,048,627	$ 589,809	$ 382,086	$ 2,710	$ 4,023,232

13. SUBSEQUENT EVENTS

There will be a public referendum vote open to all registered Great Neck School District residents on Tuesday, November 19, 2013 for the main building renovation project. The project is expected to be financed by $10,400,000 of bond proceeds.

GREAT NECK LIBRARY ASSOCIATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2013

	Original Budget	Revised Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	$ 8,238,000	$ 8,238,000	$ 8,238,000	$ -
Other Local Revenue				
Library charges, fines & fees	141,000	126,000	107,439	(18,561)
Interest	6,000	6,000	3,842	(2,158)
Gifts and donations	3,500	3,500	1,152	(2,348)
Miscellaneous	15,500	30,500	39,221	8,721
Total Local Sources	166,000	166,000	151,654	(14,346)
State Sources				
Local library service aid	9,000	9,000	11,050	2,050
Total State Sources	9,000	9,000	11,050	2,050
Total Revenues	8,413,000	8,413,000	8,400,704	$ (12,296)
APPROPRIATED FUND BALANCE				
Prior Year's Encumbrances	35,819	35,819		
Total Appropriated Fund Balance	35,819	35,819		
Total Revenues, Other Sources and Appropriated Fund Balance	$ 8,448,819	$ 8,448,819		

GREAT NECK LIBRARY ASSOCIATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2013

	Original Budget	Revised Budget	Actual	Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
Salaries	$ 4,328,100	$ 4,276,100	$ 4,108,396	$	167,704
Equipment	33,000	30,000	28,129		1,871
Contractual and Other Expenditures					
Books	363,181	359,681	287,754	51,610	20,317
Electronic research	31,500	31,500	26,173		5,327
Electronic media	125,000	141,000	134,765		6,235
Audio visual	131,738	132,238	113,920	6,689	11,629
Periodicals	53,800	53,800	54,298		(498)
Programs	91,000	94,000	86,306		7,694
Office supplies	56,900	53,900	46,266		7,634
Library supplies	55,400	67,800	56,945		10,855
Telephone	72,000	72,000	68,200		3,800
Postage	18,500	26,500	23,579		2,921
Public relations	22,500	23,500	20,439		3,061
Travel, education and conference	18,000	18,000	14,552		3,448
Professional fees	67,100	87,100	56,588		30,512
Computer support services	19,000	39,600	36,633		2,967
Memberships	2,800	2,800	2,843		(43)
Office repairs and rentals	102,500	111,000	110,359		641
Utilities	232,900	211,900	202,972		8,928
Custodial	76,000	77,000	72,772		4,228
Building operations and repairs	69,600	84,600	74,143		10,457
Fire and liability insurance	67,000	76,000	73,042		2,958
Rent expenses	416,900	412,400	409,108		3,292
MTA tax	-	14,500	13,763		737
Total Contractual and Other Expenditures	2,093,319	2,190,819	1,985,420	58,299	147,100
Employee Benefits					
NYS employees' retirement system	715,000	715,000	724,951		(9,951)
Social security expenditures	331,100	321,000	308,171		12,829
Workers' compensation insurance	39,600	39,600	39,498		102
Unemployment insurance	10,400	2,000	1,814		186
NYS disability insurance	13,100	13,100	11,415		1,685
Hospital and medical insurance	825,400	801,400	790,844		10,556
Medicare	59,800	59,800	59,234		566
Total Employee Benefits	1,994,400	1,951,900	1,935,927	-	15,973
Total Expenditures	$ 8,448,819	$ 8,448,819	8,057,872	$ 58,299	$ 332,648
Net Change in Fund Balance			342,832		
Fund Balance - Beginning of Year			3,504,767		
Fund Balance - End of Year			$ 3,847,599		

GREAT NECK LIBRARY ASSOCIATION
Schedule of Funding Progress - Other Postemployment Benefits
June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrual Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	$ -	$ 8,584,577	$ 8,584,577	0%	$ 2,935,038	292.5%
December 31, 2011 *(update)*	-	10,040,770	10,040,770	0%	3,167,616	317.0%
December 31, 2009	-	10,040,770	10,040,770	0%	3,140,103	319.8%

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SUMMARY OF CERTAIN PROVISIONS
OF THE LOAN AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS
OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement pertaining to the Series 2014 Bonds and the Project. This summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of its 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, 2015, an amount equal to the interest coming due on the Bonds on the immediately succeeding May 1 and November 1;

(v) On or before each March 1 commencing on March 1, 2015, an amount equal to the principal and Sinking Fund Installment on the Bonds coming due on the immediately succeeding May 1;

(vi) Except as otherwise agreed to in writing by the Authority, at least fifteen (15) 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 this paragraph (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 May 1 or November 1, (ii) the principal and Sinking Fund Installments of Outstanding Bonds payable on and prior to the next succeeding May 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 Great Neck Union Free School District, the Town of North Hempstead, and the County of Nassau 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 (i) it is a free association library as described in Section 253 of article 5, title 1, of Chapter 16 of the Consolidated Laws of the State of New York (Education Law), (ii) it was validly created and established in 1889 and is organized as a Type B Corporation under article 2, Section 201 of the Not-For-Profit Corporation Law of the State of New York, (iii) its board of trustees is elected by its members pursuant to applicable provisions of the Not-For-Profit Corporation Law of the State of New York and functions pursuant to Section 260 of the Education Law of the State of New York and, (iv) no part of its earnings inure to the benefit of any private non-governmental entity or individual, (v) it is not subject to federal, state or local taxation, (vi) 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, (vii) its full-time employees are subject to the state civil service laws and regulations, and (viii) substantially all of the employees are members of the New York State and Local Employees Retirement System. 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 (a)(i), (a)(ii) or (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 (a)(i), (a)(ii), or (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)

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution pertaining to the Bonds and the Project. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of each of its 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 Resolution.

Resolution and Bonds Constitute a Contract

It is the intent of the Resolution to authorize the issuance by DASNY, from time to time, of its Great Neck Library 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 Resolution and under a Series Resolution by those who shall hold or own the same from time to time, the Resolution and such Series Resolution shall be deemed to be and shall constitute a contract among DASNY, the Trustee and the Holders from time to time of the Bonds of a Series, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of DASNY 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 Resolution or permitted by the Resolution 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. DASNY 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 Resolution 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.

DASNY reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of DASNY, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien created by the Resolution and pursuant to a Series Resolution, or prior or equal to the rights of DASNY 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, DASNY's security interest in the applicable Pledged Revenues and, except as otherwise provided in the Resolution, all funds and accounts established by the Resolution, 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 thereof. The pledge of the applicable Revenues and the assignment of DASNY'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 Resolution; 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 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 Resolution 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, DASNY's security interest in the applicable Pledged Revenues and all funds and accounts established by the Resolution and by a Series Resolution which are pledged by the Resolution 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 DASNY 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 DASNY payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the applicable Revenues, DASNY's security interest in the applicable Pledged Revenues and the funds and accounts established by the Resolution and pursuant to a Series Resolution and which are pledged by the Resolution, 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 DASNY. All moneys at any time deposited in any fund, account or subaccount created and pledged by the Resolution 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 Resolution, 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, DASNY shall apply such proceeds as specified in the Resolution 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, DASNY shall pay over to the Trustee and the Trustee shall deposit in the Construction Fund any moneys paid to DASNY 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 Resolution 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 DASNY 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 DASNY 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 DASNY 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 DASNY, (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 DASNY 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 DASNY 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, DASNY, 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 DASNY 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 DASNY 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 DASNY 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 DASNY, 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 Resolution, 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 Resolution, 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 DASNY, to the Arbitrage Rebate Fund the amount set forth in such direction;
>
> Fourth: To DASNY, unless otherwise paid, such amounts as are payable to DASNY relating to such Series for: (i) any expenditures of DASNY for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by DASNY in connection with the financing of a Project, including expenses incurred by DASNY 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 DASNY; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of DASNY, stating in reasonable detail the amounts payable to DASNY pursuant to this paragraph Fourth.

The Trustee shall, promptly after making the above required payments, notify DASNY 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 DASNY, 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 Resolution.

(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, DASNY 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 DASNY. 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 DASNY 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 DASNY 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 DASNY given pursuant to the provisions of the Resolution to the redemption of Bonds of a Series as provided in the Resolution, 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 Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of DASNY, moneys on deposit in any other funds held by the Trustee under the Resolution 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 DASNY to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as DASNY 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

DASNY determines to be in excess of the amount required to be so rebated shall be deposited to any fund or account established under the Resolution in accordance with the written direction of such Authorized Officer.

DASNY 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 Resolution and deposit to the Arbitrage Rebate Fund such amount as DASNY 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 Resolution, 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 Resolution for the payment of such Outstanding Bonds at the maturity or redemption dates thereof, the Trustee shall so notify DASNY and the Institution. Upon receipt of such notice, DASNY 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 Resolution and by a Series Resolution as provided in the Resolution, or (ii) give the Trustee irrevocable instructions in accordance with the terms of the Resolution 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 Resolution by the Trustee shall, as nearly as may be practicable, be invested by the Trustee, upon direction of DASNY, signed by an Authorized Officer of DASNY (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 DASNY reasonably believes such money will be required for the purposes of the Resolution.

(b) In lieu of the investments of money in obligations authorized in paragraph (a) of this heading, the Trustee shall, upon direction of DASNY, signed by an Authorized Officer of DASNY, 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 DASNY reasonably believes such money will be required for the purposes of the Resolution, 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 DASNY, 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 Resolution 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 Resolution, 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 Resolution, DASNY, 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 Resolution and the proceeds thereof may be reinvested as provided in this heading. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution 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 DASNY 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 Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution 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 DASNY 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 Resolution or by a Series Resolution DASNY 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 Resolution or by a Series Resolution which are pledged by the Resolution; provided, however, that nothing contained in the Resolution shall prevent DASNY 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 Resolution; and provided, further, however, that nothing contained in the Resolution 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 or to add an additional Project to such Loan Agreement or to account for the issuance of Refunding Bonds or other obligations of DASNY refinancing the debt incurred by DASNY to generate the amounts loaned to the Institution under the Loan Agreement;

(v) to amend such Loan Agreement to establish, amend or modify DASNY 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 Resolution 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 DASNY 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 Resolution 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 Resolution, 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, DASNY 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 Resolution, DASNY 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 DASNY:

(a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution 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 DASNY 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 DASNY contained in the Resolution;

(c) To prescribe further limitations and restrictions upon the issuance of Bonds of a Series and the incurring of indebtedness by DASNY 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 DASNY by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of DASNY contained the Resolution;

(e) To confirm, as further assurance, any pledge under the Resolution or under a Series Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, 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 Resolution 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 Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions the Resolution 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 Resolution 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 Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of DASNY. 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 Resolution 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 DASNY 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 DASNY when the same shall become due and payable; or

(c) With respect to a Series of Bonds, DASNY shall default in the due and punctual performance of any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that DASNY 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, DASNY shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds of such Series or in a Series Resolution on the part of DASNY 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 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 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 DASNY fails to commence within said thirty (30) days and diligently prosecute the cure thereof; or

(e) With respect to a Series of Bonds, DASNY 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 Resolution, 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 DASNY, 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 Resolution 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 Resolution, 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 DASNY, 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 DASNY under the Resolution 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 actually known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution 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 Resolution, 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 Resolution relating to the compensation of the Trustee) to protect and enforce its rights and the rights of the Bondholders under the Resolution or of such Facility Provider 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 Resolution or under any Series Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against DASNY as if DASNY 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 Resolution 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 DASNY for principal or interest or otherwise under any of the provisions of the Resolution 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 Resolution 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 DASNY but solely as provided in the Resolution, 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 Resolution 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 Resolution) 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 Resolution describing extension of payment of Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Resolution 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 Resolution shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to DASNY, 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 Resolution 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 Resolution have been made and no Bonds of such Series are Outstanding shall be paid and applied in accordance with the Resolution.

(Section 11.05)

Bondholders' Direction of Proceedings

Anything in the Resolution 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 Resolution and under a Series Resolution, provided, such direction shall not be otherwise than in accordance with law and the provisions of the Resolution 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 Resolution, or for any other remedy under the Resolution 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 Resolution 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 Resolution or for any other remedy under the Resolution 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 Resolution 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 Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, 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 Resolution, 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 DASNY 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 Resolution, 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 Resolution to such Series of Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of DASNY, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by DASNY, and all moneys or other securities held by it pursuant to the Resolution 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 DASNY; 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 DASNY the amount certified by an Authorized Officer of DASNY to be then due or past due pursuant to the applicable Loan Agreement for fees and expenses of DASNY 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, and encumbrance or security interest created by the Resolution 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, DASNY shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution, 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, DASNY 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 DASNY, 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. DASNY 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 Resolution. 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 DASNY 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 DASNY; 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 DASNY the amount certified by an Authorized Officer of DASNY to be then due or past due pursuant to the applicable Loan Agreement for fees and expenses of DASNY 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 Resolution or by the applicable Loan Agreement.

(c) Anything in the Resolution 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 DASNY, be repaid by the Trustee or Paying Agent to DASNY 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 DASNY for the payment of such Bonds; provided, however, that, before being required to make any such payment to DASNY, the Trustee or Paying Agent may, at the expense of DASNY, 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 DASNY.

(Section 12.01)

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FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL

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FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL

Upon delivery of the Series 2014 Bonds, Hodgson Russ LLP, Albany, New York, and Golden Holley James LLP, New York, New York, Co-Bond Counsel, proposes to issue its approving opinion as to the Series 2014 Bonds in substantially the following form:

December __, 2014

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

Re: Dormitory Authority of the State of New York
$10,400,000 Great Neck Library Revenue Bonds, Series 2014

Ladies and Gentlemen:

We have examined the record of proceedings relating to the $10,400,000 aggregate principal amount of Great Neck Library Revenue Bonds, Series 2014 (the "Series 2014 Bonds") issued by the Dormitory Authority of the State of New York ("DASNY"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Chapter 524 of the Laws of 1944 of the State of New York, as amended to the date hereof (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 2014 Bonds are issued under and pursuant to the Act and the Great Neck Library Revenue Bond Resolution of DASNY, adopted November 12, 2014 (the "General Resolution"), the Series Resolution Authorizing Up To $10,400,000 Great Neck Library Revenue Bonds, Series 2014 of DASNY, adopted November 12, 2014 (the "Series 2014 Resolution") and the Bond Series Certificate authorizing the issuance of the Series 2014 Bonds (the "2014 Bond Series Certificate"). The General Resolution, the Series 2014 Resolution and the 2014 Bond Series Certificate are herein collectively referred to as the "Resolutions." The Series 2014 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 Great Neck Library (the "Institution"), dated as of November 12, 2014 (the "Loan Agreement"), providing, among other things, for a loan to the Institution for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the Institution is required to make payments sufficient to pay the principal, sinking fund installments and redemption price, if applicable, of and interest on the Series 2014 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 2014 Bonds. DASNY, the Institution, the Town of North Hempstead, the Great Neck Union Free School District and the Trustee have also entered into a Tax Compliance Agreement dated as of the date hereof relating to the Series 2014 Bonds (the "Tax Compliance Agreement").

The Internal Revenue Code of 1986, as amended (the "Code"), prescribes a number of qualifications and conditions for the interest on state and local obligations to be and to remain excluded from gross income for federal income purposes, some of which, including provisions for potential payments by DASNY to the federal government, require future or continued compliance after issuance of the Series 2014 Bonds in order for the interest thereon to be and to continue to be so excluded from the date of issuance. DASNY and the Institution have covenanted in the Resolutions, the Loan Agreement and the Tax Compliance Agreement to comply with the requirements of the Code, and to take the actions required of them for the interest on the Series 2014 Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

In such connection, we have reviewed the Resolutions, the Loan Agreement, the Tax Compliance Agreement, opinions of counsel to DASNY, the Trustee and the Institution, certificates of the DASNY, the Trustee, the Institution and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

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 2014 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 the Authority. 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.

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.

Based upon the foregoing, we are of the opinion that:

(1) DASNY is a body corporate and politic constituting a public benefit corporation of the State of New York with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2014 Bonds thereunder.

(2) The Resolution has been duly and lawfully adopted by DASNY. The Series 2014 Resolution has been duly and lawfully adopted by DASNY in accordance with the provisions of the Resolution and is authorized and permitted by the Resolution. The Resolutions are in full force and effect, and are legal, valid and binding obligations of DASNY enforceable in accordance with their respective terms. The Resolutions create the valid pledge and the valid lien upon the Revenues that they purport to create, subject only to the provisions of the Resolutions permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolutions.

(3) The Series 2014 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2014 Bonds are legal, valid and binding special obligations of DASNY payable as provided in the Resolutions, are enforceable in accordance with their terms pursuant to the Resolutions and are entitled to the equal benefits of the Resolutions and the Act.

(4) DASNY has the right and lawful authority and power to enter into the Loan Agreement. The Loan Agreement has been duly authorized, executed and delivered by DASNY and, assuming due authorization, execution and delivery of the Loan Agreement by the Institution, constitutes a legal, valid and binding obligation of DASNY enforceable in accordance with its terms.

(5) The Series 2014 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 2014 Bonds. The Series 2014 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:

(a) interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code;

(b) interest on the Series 2014 Bonds is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code; provided, however, that such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations; and

(c) interest on the Series 2014 Bonds is exempt from personal income taxes of the State of New York or any political subdivision thereof, including The City of New York and the City of Yonkers.

(7) "Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2014 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 those Series 2014 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 Series 2014 Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the Owners of the 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 Series 2014 Bonds.

In rendering the opinions set forth in paragraphs (6) and (7) above, we have relied upon and assumed (i) the accuracy of certain representations, statements of intention and reasonable expectation, and factual certifications by DASNY and the Institution contained in the Resolutions, the Loan Agreement, the Tax Compliance Agreement and other related documents, (ii) the opinion of counsel to the Institution, Orrick Herrington & Sutcliffe, dated the date hereof, and (iii) continuing compliance with the covenants set forth in the Resolutions, the Loan Agreement and the Tax Compliance Agreement by DASNY and the Institution. In the event of the inaccuracy or incompleteness of any of the certifications made by DASNY or the Institution, or of the failure by DASNY or the Institution to comply with their respective covenants set forth in the Resolutions, the Loan Agreement and the Tax Compliance Agreement, the interest on the Series 2014 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of original execution and delivery of such Bonds, regardless of the date on which the event causing such inclusion occurs. We render no opinion as to the exclusion from gross income of interest on the Series 2014 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 and the Tax Compliance 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 Bonds may affect the tax status of interest on the Series 2014 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 2014 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Series 2014 Bond and such holder's other items of income, deduction or credit. We express no opinion with respect to any such effect.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Loan Agreement by the Institution or as to the accuracy, completeness or sufficiency of the Official Statement or other offering materials relating to the Series 2014 Bonds except to the extent, if any, stated in the Official Statement. In addition, we have relied on the opinion of counsel to the Institution, Orrick Herrington & Sutcliffe, LLP, regarding, among other matters, the current qualifications of the Institution as a New York not-for-profit corporation and as an organization described in Section 501(c)(3) of the Code.

We have examined a fully executed Series 2014 Bond and, in our opinion, the form of said Series 2014 Bond and its execution is regular and proper.

The opinions contained in paragraphs (2), (3) and (4) above are qualified to the extent that the enforceability of the Resolutions, the Loan Agreement and the Series 2014 Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws effecting creditors' rights generally and as to the availability of any particular remedy.

Very truly yours,

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