

ANNUAL FINANCIAL REPORT

**MID-HUDSON LIBRARY SYSTEM**

December 31, 2016

---

***Audited for:***

Board of Trustees

**MID-HUDSON LIBRARY SYSTEM**

***Audited By:***

RBT CPAs, LLP

2678 South Road Suite 101

Poughkeepsie, New York 12601

(845) 485-5510

---

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
TABLE OF CONTENTS  
DECEMBER 31, 2016**

---

<b><u>DESCRIPTION</u></b>	<b><u>PAGE(S)</u></b>
Independent Auditor's Report .....	1-2
Management's Discussion and Analysis (unaudited)- December 31, 2016 .....	3-10
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position–December 31, 2016.....	11
Statement of Activities – For The Year Ended December 31, 2016.....	12
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds – December 31, 2016.....	13
Reconciliation of Governmental Funds Balance Sheet To the Statement of Net Position – December 31, 2016 .....	14
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds – For the Year Ended December 31, 2016 .....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities – For the Year Ended December 31, 2016.....	16
Statement of Fiduciary Net Position – December 31, 2016.....	17
Notes to the Financial Statements.....	18-36
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	37-38

**REQUIRED SUPPLEMENTAL INFORMATION SECTION:**

**Exhibit I**

Budgetary Comparison Schedule – General Fund – For the Year Ended December 31, 2016 .....	39
--	----

**Exhibit II**

Schedule of Funding Progress for Other Post-Employment Benefits For the Year Ended December 31, 2016 .....	40
---	----

**Exhibit III**

Schedule of Proportionate Share of the Net Pension Liability For the Year Ended December 31, 2016 .....	41
--	----

**Exhibit IV**

Schedule of Pension Contributions For the Year Ended December 31, 2016 .....	42
---	----

Schedule of Findings and Recommendations .....	43
--	----

Management’s Response to Findings .....	44
---	----



LIMITED LIABILITY PARTNERSHIP  
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

## **INDEPENDENT AUDITOR'S REPORT**

To the President and Members  
of the Board of Trustees of the  
Mid-Hudson Library System  
Poughkeepsie, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund information of the Mid-Hudson Library System as of and for the year ended December 31, 2016, and the related Notes to the Financial Statements, which collectively comprise the Library System's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statement**

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

### **Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund information of the Mid-Hudson Library System as of December 31, 2016, 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.

**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 Schedule, Schedule of Funding Progress for Other Post-Employment Benefits Plan, Schedule of the Proportionate Share of the Net Pension Liability, and Schedule of Pension Contributions on pages 3-10 and 39-42, respectively, be presented to supplement the basic financial statements. Such information, though 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have issued our report dated August 9, 2017, on our consideration of Mid-Hudson Library System'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 Mid-Hudson Library System's internal control over financial reporting and compliance.

*RBT CPAs, LLP*

Poughkeepsie, New York  
August 9, 2017

**Management's Discussion and Analysis  
Required Supplemental Information  
For the Year Ended December 31, 2016  
Un-audited**

---

Within this section of the Mid-Hudson Library System's annual financial report, the Library System's management provides narrative discussion and analysis of the financial activities of the Library System for the year ended December 31, 2016. The Library System's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Additional information is available in the Independent Auditor's Report which precedes Management's Discussion and Analysis.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis introduces the Library System's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Library System's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Library System's overall status. Financial reporting at this level uses a prospective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities. These statements are as follows:

**Statement of Net Position –**

This is a government-wide statement of position presenting information that includes all of the Library System's assets and liabilities, with the difference reported 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 System taken as a whole is improving or deteriorating. Evaluation of the overall health of the Library System would extend to other nonfinancial factors such as the financial support of the State government and the condition of the Library System's infrastructure in addition to the financial information provided in this report.

**Statement of Activities –**

This reports how the Library System's net position changed during the current fiscal year. All current revenues and expenditures are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the Library System's distinct activities or functions on revenues provided by the State.

Both government-wide financial statements distinguish government activities of the Library System that are principally supported by State sources. Fiduciary activities, such as the Trust and Agency Fund, are not included in the government-wide statements since these assets are not available to fund the Library System programs.

The government-wide statements are presented on pages 11 and 12 of this report.

## **FUND FINANCIAL STATEMENTS**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Library System uses funds to ensure and demonstrate compliance with finance-related law and regulations. Within the basic financial statements, fund financial statements focus on the Library System's most significant funds rather than the Library System as a whole. All funds were considered to be major funds for the purposes of this report.

The Library System has two kinds of funds:

### **Governmental Funds –**

These funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Library System's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives provide insight into the long-term impact of short-term financing decisions. Both the government fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances have been reconciled in the financial statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the supplemental financial statements for the General Fund. These statements and schedules demonstrate compliance with the Library System's adopted and final revised budget.

The basic governmental fund financial statements are presented on pages 13 and 15 of this report.

### **Fiduciary Funds –**

These funds are those such as agency funds and other payroll withholdings reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund the Library System's programs.

The basic fiduciary fund financial statement is presented on page 17 of this report.

**Management's Discussion and Analysis  
Required Supplemental Information  
For the Year Ended December 31, 2016  
Un-audited (Continued)**

---

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying Notes to the Financial Statements provide information essential to a full understanding of the government-wide and fund financial statements. The Notes to the Financial Statements begin on page 18 of this report.

**OTHER INFORMATION**

In addition to the basic financial statements and accompanying Notes, this report also includes the supplementary information beginning on page 39.

**FINANCIAL ANALYSIS OF THE LIBRARY SYSTEM AS A WHOLE**

The Library System's net position at December 31, 2016 and December 31, 2015, is \$1,857,792 and \$1,753,709, respectively. The following table provides a summary of the Library System's net position:

	<b>Summary of Net Assets</b>		
	<b>2016</b>	<b>2015</b>	<b>Change</b>
Assets:			
Current Assets	\$ 2,613,708	\$ 2,496,332	\$ 117,376
Capital Assets	324,373	215,392	108,981
Total Assets	2,938,081	2,711,724	226,357
Deferred Outflows of Resources:	526,337	136,319	390,018
Total Assets and Deferred Outflows of Resources:	<u>\$ 3,464,418</u>	<u>\$ 2,848,043</u>	<u>\$ 616,375</u>
Liabilities			
Current Liabilities	\$ 47,797	\$ 92,726	\$ (44,929)
Long-Term Liabilities	1,449,791	954,726	495,065
Total Liabilities	1,497,588	1,047,452	\$ 450,136
Deferred Inflows of Resources:	109,038	46,882	62,156
Net Investment in Capital Assets	324,373	215,392	108,981
Unrestricted	1,533,419	1,538,317	(4,898)
Total Net Position	1,857,792	1,753,709	104,083
Total Liabilities and Net Position	<u>\$ 3,464,418</u>	<u>\$ 2,848,043</u>	<u>\$ 616,375</u>

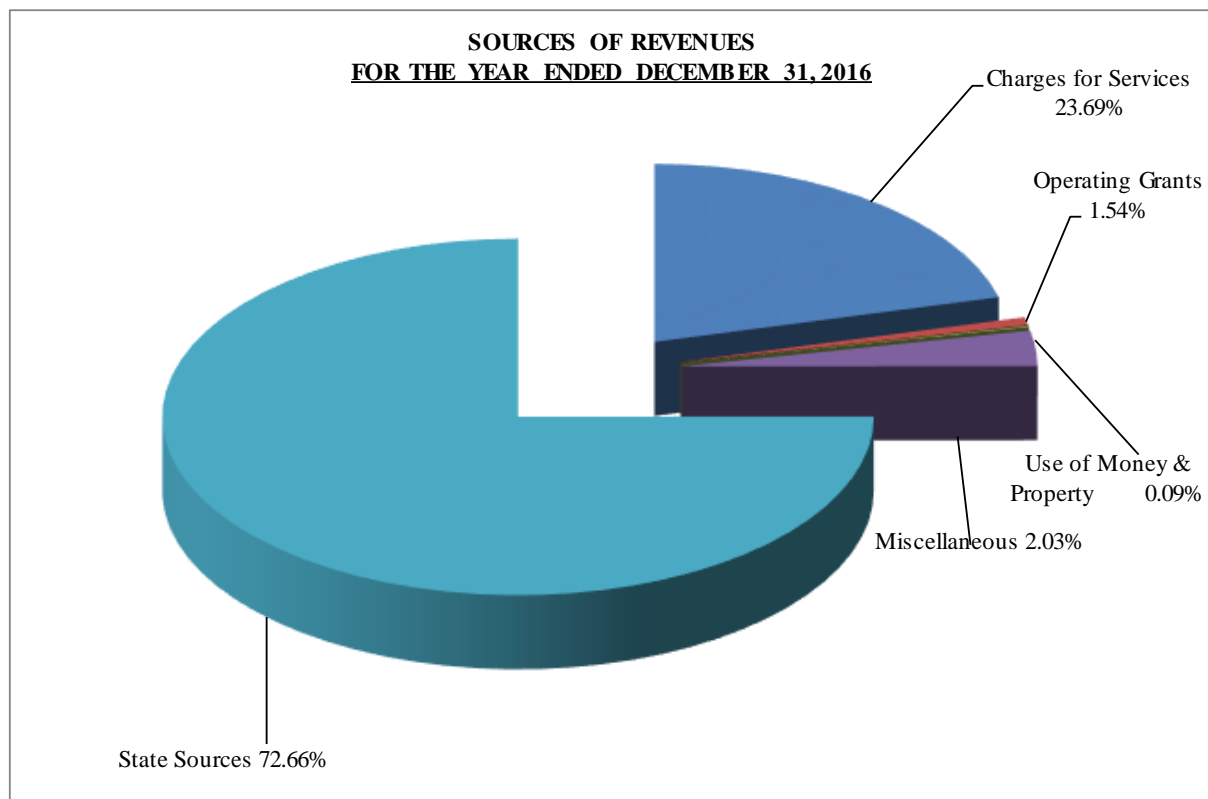
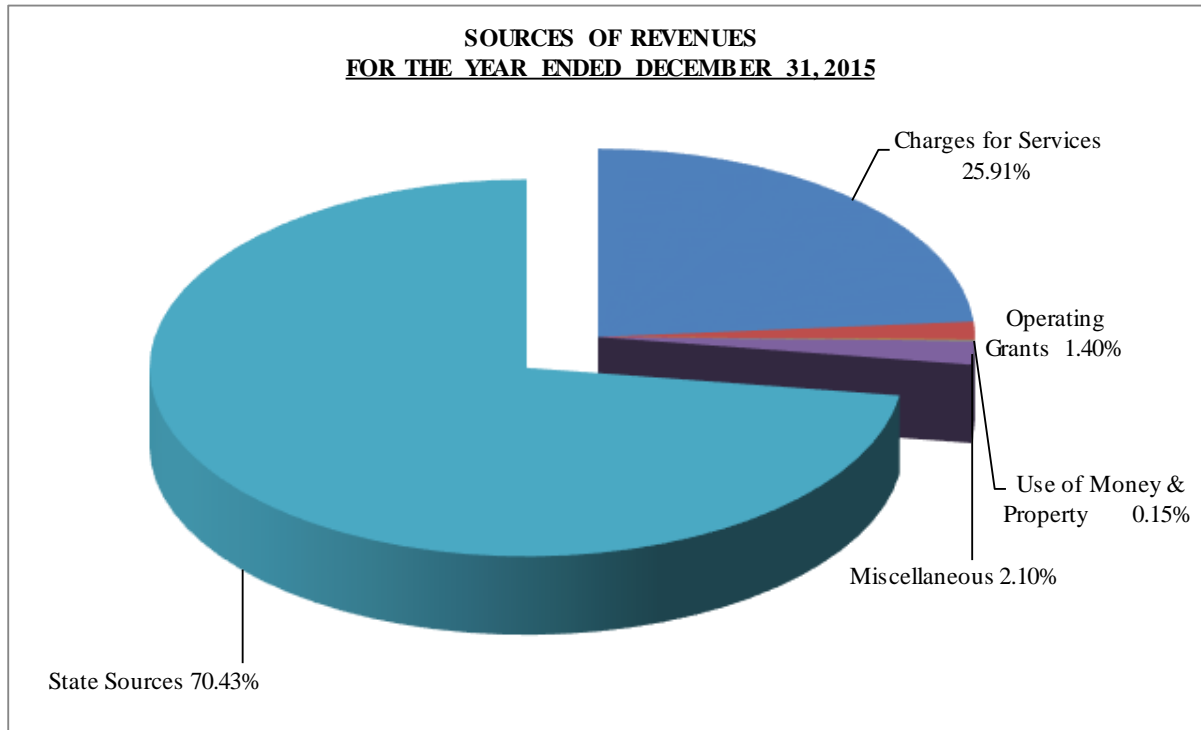


**Management's Discussion and Analysis  
Required Supplemental Information  
For the Year Ended December 31, 2016  
Un-audited (Continued)**

---

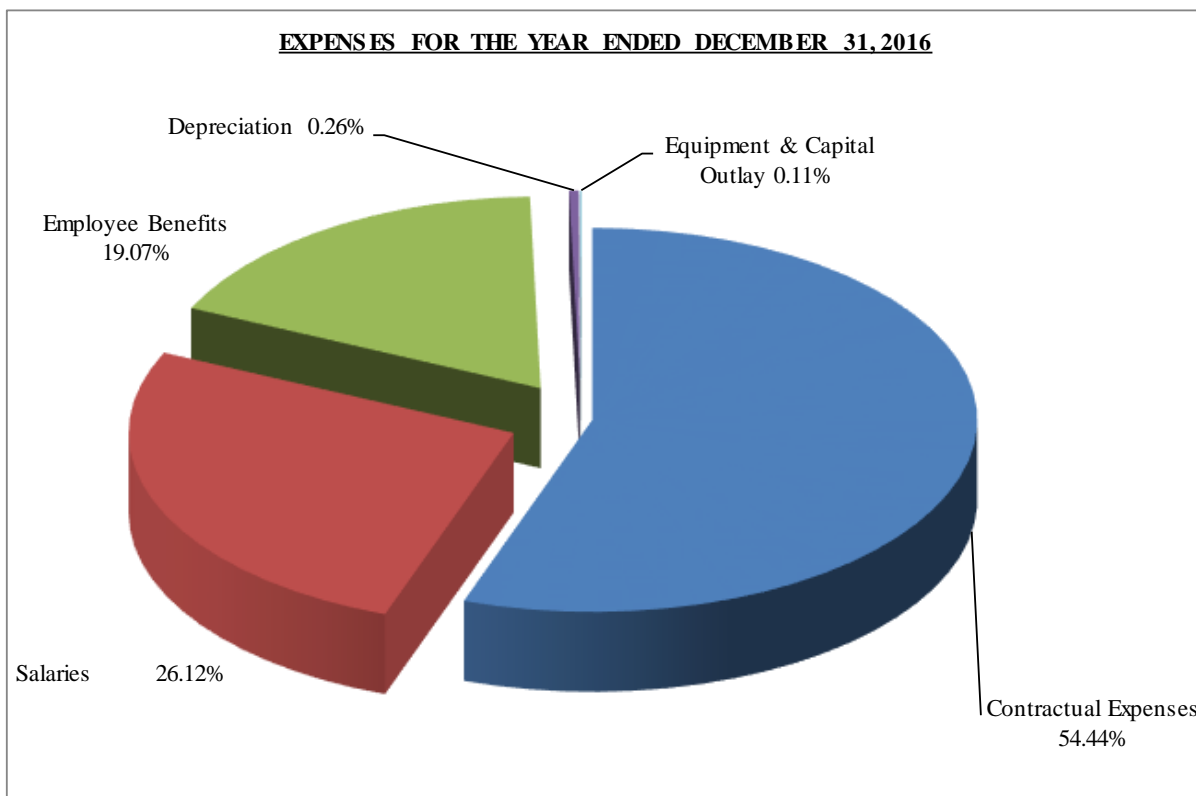
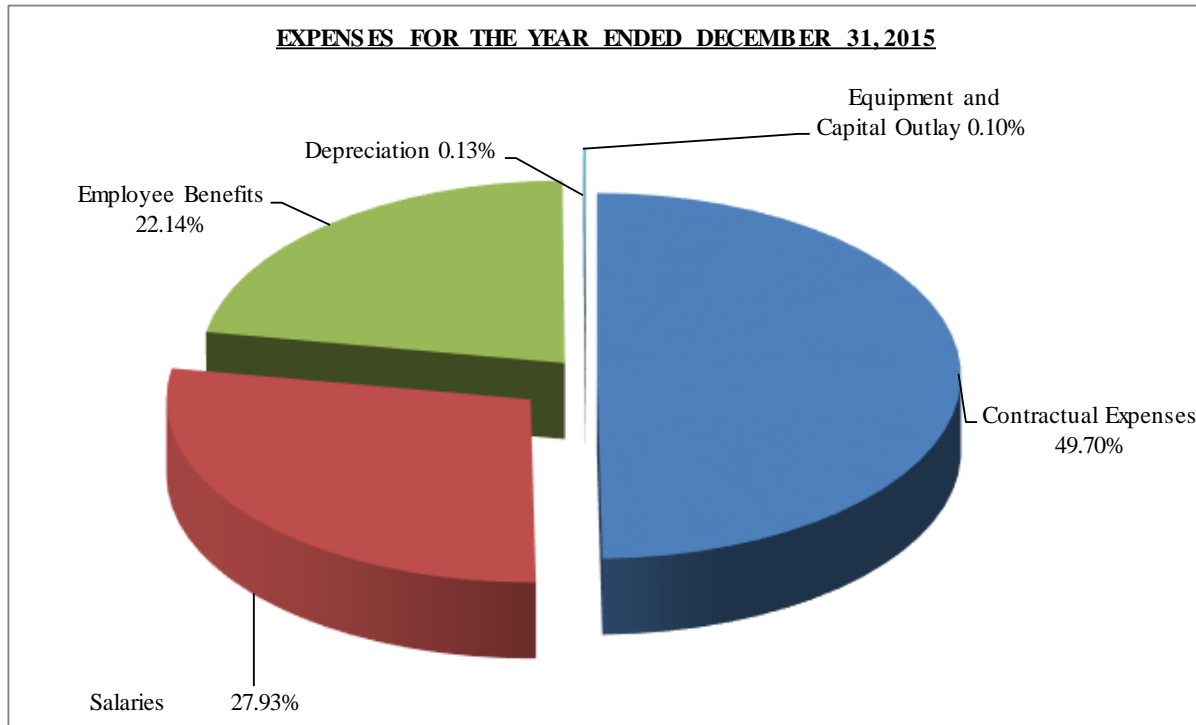
During the 2016 year, the net position increased by \$104,083. The following table and supporting graphs provides a summary of revenues, expenses, and changes in net position for the years ended December 31, 2016 and December 31, 2015:

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services	\$ 801,368	\$ 839,778	\$ (38,410)
Operating Grants	27,483	54,497	(27,014)
<b>General Revenues</b>			
Use of Money and Property	3,628	3,157	471
Miscellaneous	122,076	71,880	50,196
State Sources	2,868,697	2,576,221	292,476
<b>Total Revenues</b>	<b>3,823,252</b>	<b>3,545,533</b>	<b>277,719</b>
<b>Expenses</b>			
Library Services	3,719,169	3,596,617	122,552
<b>Total Expenses</b>	<b>3,719,169</b>	<b>3,596,617</b>	<b>122,552</b>
<b>Change in Net Position</b>	<b>\$ 104,083</b>	<b>\$ (51,084)</b>	<b>\$ 155,167</b>



**Management's Discussion and Analysis**  
**Required Supplemental Information**  
**For the Year Ended December 31, 2016**  
**Un-audited (Continued)**

---



**Management's Discussion and Analysis  
Required Supplemental Information  
For the Year Ended December 31, 2016  
Un-audited (Continued)**

---

**FINANCIAL ANALYSIS OF THE LIBRARY SYSTEM FUNDS**

As discussed, the Library System's governmental funds are reported in the fund statements with a modified accrual basis that uses a short-term, inflow and outflow spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The major governmental funds of the Library System consist of the General Fund, Capital Fund, and Special Aid Fund. The total fund balances allocated between nonspendable, restricted, assigned, and unassigned fund balance for each of these funds is as follows:

	December 31, 2016			
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund	\$ 145,136	\$ -	\$ 6,514	\$ 1,988,141
Capital Fund	-	-	453,877	-
Special Aid Fund	-	-	-	(2,037)
	December 31, 2015			
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund	\$ 100,975	\$ -	\$ 1,893	\$ 1,889,613
Capital Fund	-	-	441,527	-
Special Aid Fund	-	-	-	(1,741)

General Fund Budgetary Highlights

The original budget for the General Fund was increased by the Board of Trustees during the fiscal year by \$1,893.

In reviewing the actual results of operations for the General Fund for the year ended December 31, 2016, as compared to the adjusted budget, you will find expenditures were \$78,871 under budget, due to the Library System keeping fiscal restraints on purchases during the fiscal year.

Factors that continue to affect the budgetary process are as follows:

Employee health and pension benefits will continue to rise.

State aid increased over the prior year, but changes are contingent on the Governor's actions.

Management believes that the budget adopted for the 2017 year is reasonably adaptable to any adverse changes that may arise based on the above factors.

**Management's Discussion and Analysis**  
**Required Supplemental Information**  
**For the Year Ended December 31, 2016**  
**Un-audited (Continued)**

---

Capital Assets

The Library System's investment in capital assets, net of accumulated depreciation, as of December 31, 2016 was \$324,373. The Library System's investment in capital assets, net of accumulated depreciation, as of December 31, 2015 was \$215,392. This is an increase of \$108,981, 50.60% (see below). The capital assets include land, buildings, and equipment. The Library's depreciation expense for the year was \$15,059.

CAPITAL ASSETS			
<u>Net of Accumulated Depreciation</u>			
	<u>2016</u>	<u>2015</u>	<u>% Change</u>
<u>Non-Depreciable Assets</u>			
Land	\$ 10,000	\$ 10,000	0.00%
<u>Depreciable Assets</u>			
Buildings	281,840	189,292	48.89%
Equipment, Furniture and Fixtures	<u>32,533</u>	<u>16,100</u>	102.07%
<b>Total</b>	<u><u>\$ 324,373</u></u>	<u><u>\$ 215,392</u></u>	50.60%

**CONTACTING THE LIBRARY SYSTEM'S FINANCIAL MANAGEMENT:**

This financial report is designed to provide a general overview of the Library System's finances, comply with finance-related laws and regulations and demonstrate the Library System's commitment to public accountability. If you have questions about this report, or would like to request additional information, contact Tom Sloan, Executive Director, 103 Market Street, Poughkeepsie, NY 12601.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 2,488,146
State and Federal Aid Receivable	5,160
Accounts Receivable	986
Prepaid Expenditures	119,416
<b>Total Current Assets</b>	<b>2,613,708</b>
Capital Assets:	
Land	10,000
Buildings, Machinery and Equipment, Net of Depreciation	314,373
<b>Total Capital Assets</b>	<b>324,373</b>
<b>Total Assets</b>	<b>2,938,081</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Employee Retirement System	526,337
<b>Total Deferred Outflow of Resources</b>	<b>526,337</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 3,464,418</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 18,902
Accrued Expenditures	16,381
Unearned Revenue	12,514
<b>Total Current Liabilities</b>	<b>47,797</b>
Long Term Liabilities:	
Due to Employee Retirement System	489,559
Compensated Absences Payable	84,756
Other Post Employment Benefits	875,476
<b>Total Long Term Liabilities</b>	<b>1,449,791</b>
<b>Total Liabilities</b>	<b>1,497,588</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Employee Retirement System	109,038
<b>Total Deferred Inflow of Resources</b>	<b>109,038</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	324,373
Unrestricted	1,533,419
<b>Total Net Position</b>	<b>1,857,792</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>	<b>\$ 3,464,418</b>

See Notes to the Financial Statements.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>FUNCTIONS/PROGRAMS</b>	<b>EXPENSES</b>	<b>CHARGES FOR SERVICES</b>	<b>OPERATING GRANTS AND CONTRIBUTIONS</b>	<b>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</b>
<b>Governmental Activities:</b>				
Library Services	(3,719,169)	801,368	27,483	(2,890,318)
<b>Total governmental activities</b>	<b>\$ (3,719,169)</b>	<b>\$ 801,368</b>	<b>\$ 27,483</b>	<b>(2,890,318)</b>
<b>General Revenues</b>				
Use of Money and Property				3,628
Miscellaneous				122,076
State Sources				2,868,697
Total General Revenues				2,994,401
Change in Net Position				104,083
Net Position at Beginning of Year				1,753,709
Net Position at End of Year				\$ 1,857,792

See Notes to the Financial Statements.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	<b>GENERAL FUND</b>	<b>CAPITAL FUND</b>	<b>SPECIAL AID FUND</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,023,495	\$ 453,877	\$ 10,774	\$ 2,488,146
State and Federal Aid Receivable	5,160	-	-	5,160
Accounts Receivable	986	-	-	986
Prepaid Expenditures	145,136	-	-	145,136
<b>Total Assets</b>	<b>\$ 2,174,777</b>	<b>\$ 453,877</b>	<b>\$ 10,774</b>	<b>\$ 2,639,428</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 18,605	\$ -	\$ 297	\$ 18,902
Accrued Expenditures	16,381	-	-	16,381
Unearned Revenue	-	-	12,514	12,514
<b>Total Liabilities</b>	<b>34,986</b>	<b>-</b>	<b>12,811</b>	<b>47,797</b>
<b>FUND EQUITY</b>				
Fund balance (deficit):				
Nonspendable:				
Prepaid Expenditures	145,136	-	-	145,136
Assigned:				
Encumbrances	6,514	-	-	6,514
Capital	-	453,877	-	453,877
Unassigned	1,988,141	-	(2,037)	1,986,104
<b>Total Fund Equity</b>	<b>2,139,791</b>	<b>453,877</b>	<b>(2,037)</b>	<b>2,591,631</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 2,174,777</b>	<b>\$ 453,877</b>	<b>\$ 10,774</b>	<b>\$ 2,639,428</b>

See Notes to the Financial Statements.



**MID-HUDSON LIBRARY SYSTEM**

**POUGHKEEPSIE, NEW YORK**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**

**DECEMBER 31, 2016**

	<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>LONG-TERM ASSETS &amp; LIABILITIES</b>	<b>RECLASSIFI- CATIONS &amp; ELIMINATIONS</b>	<b>STATEMENT OF NET POSITION</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,488,146	\$ -	\$ -	\$ 2,488,146
State and Federal Aid Receivable	5,160	-	-	5,160
Accounts Receivable	986			986
Capital Assets, Net	-	324,373	-	324,373
Prepaid Expenditures	145,136	-	(25,720)	119,416
<b>TOTAL ASSETS</b>	<b>2,639,428</b>	<b>324,373</b>	<b>(25,720)</b>	<b>2,938,081</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>526,337</b>	<b>-</b>	<b>526,337</b>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,639,428</b>	<b>\$ 850,710</b>	<b>\$ (25,720)</b>	<b>\$ 3,464,418</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 18,902	\$ -	\$ -	\$ 18,902
Accrued Expenditures	16,381	-	-	16,381
Due to Employee Retirement System	-	489,559	-	489,559
Compensated Absences Payable	-	84,756	-	84,756
Other Postemployment Benefits	-	875,476	-	875,476
Unearned Revenue	12,514	-	-	12,514
<b>TOTAL LIABILITIES</b>	<b>47,797</b>	<b>1,449,791</b>	<b>-</b>	<b>1,497,588</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>109,038</b>	<b>-</b>	<b>109,038</b>
<b>FUND BALANCES/NET POSITION</b>	<b>2,591,631</b>	<b>(708,119)</b>	<b>(25,720)</b>	<b>1,857,792</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION</b>	<b>\$ 2,639,428</b>	<b>\$ 850,710</b>	<b>\$ (25,720)</b>	<b>\$ 3,464,418</b>

See Notes to the Financial Statements.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>GENERAL FUND</b>	<b>CAPITAL FUND</b>	<b>SPECIAL AID FUND</b>	<b>TOTAL FUNDS</b>
<b>REVENUES</b>				
Charges for Services	\$ 801,368	\$ -	\$ -	\$ 801,368
Use of Money and Property	3,372	256	-	3,628
Miscellaneous	122,076	-	-	122,076
State Sources	2,868,697	-	27,483	2,896,180
<b>Total Revenues</b>	<b>3,795,513</b>	<b>256</b>	<b>27,483</b>	<b>3,823,252</b>
<b>EXPENDITURES</b>				
Salaries	983,122	-	-	983,122
Equipment and Capital Outlay	23,012	-	-	23,012
Contractual Expenditures	2,129,084	-	27,779	2,156,863
Employee Benefits	500,891	-	-	500,891
<b>Total Expenditures</b>	<b>3,636,109</b>	<b>-</b>	<b>27,779</b>	<b>3,663,888</b>
<b>Excess of Revenues Over/(Under) Expenditures</b>	<b>159,404</b>	<b>256</b>	<b>(296)</b>	<b>159,364</b>
<b>OTHER SOURCES AND USES</b>				
Operating Transfers In	27,506	39,600	-	67,106
Operating Transfers Out	(39,600)	(27,506)	-	(67,106)
<b>Total Other Sources and Uses</b>	<b>(12,094)</b>	<b>12,094</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over/(Under)</b>				
<b>Expenditures and Other Uses</b>	<b>147,310</b>	<b>12,350</b>	<b>(296)</b>	<b>159,364</b>
<b>Fund Balance, Beginning of Year</b>	<b>1,992,481</b>	<b>441,527</b>	<b>(1,741)</b>	<b>2,432,267</b>
<b>Fund Balance, End of Year</b>	<b>\$ 2,139,791</b>	<b>\$ 453,877</b>	<b>\$ (2,037)</b>	<b>\$ 2,591,631</b>

See Notes to the Financial Statements.

**MID-HUDSON LIBRARY SYSTEM**

**POUGHKEEPSIE, NEW YORK**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>LONG-TERM REVENUE &amp; EXPENSES</b>	<b>CAPITAL RELATED ITEMS</b>	<b>RECLASSIFI- CATIONS &amp; ELIMINATIONS</b>	<b>STATEMENT OF ACTIVITIES</b>
<b>REVENUES</b>					
Charges for Services	\$ 801,368	\$ -	\$ -	\$ -	\$ 801,368
Use of Money and Property	3,628	-	-	-	3,628
Miscellaneous	122,076	-	-	-	122,076
State Sources	2,896,180	-	-	-	2,896,180
<b>Total Revenues</b>	<b>3,823,252</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,823,252</b>
<b>EXPENDITURES</b>					
Salaries	983,122	4,844	-	660,309	1,648,275
Equipment and Capital Outlay	23,012	-	117,753	(124,040)	16,725
Contractual Expenditures	2,156,863	-	-	(102,694)	2,054,169
Employee Benefits	500,891	159,418	-	(660,309)	-
<b>Total Expenditures</b>	<b>3,663,888</b>	<b>164,262</b>	<b>117,753</b>	<b>(226,734)</b>	<b>3,719,169</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>159,364</b>	<b>(164,262)</b>	<b>(117,753)</b>	<b>226,734</b>	<b>104,083</b>
<b>OTHER SOURCES AND USES</b>					
Operating Transfers In	67,106	-	-	-	67,106
Operating Transfers Out	(67,106)	-	-	-	(67,106)
<b>Total Other Sources and Uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INCREASE (DECREASE) FOR THE YEAR</b>	<b>\$ 159,364</b>	<b>\$ (164,262)</b>	<b>\$ (117,753)</b>	<b>\$ 226,734</b>	<b>\$ 104,083</b>

See Notes to the Financial Statements.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2016**

	<b>TRUST AND AGENCY</b>
<b>ASSETS</b>	
Cash	\$ 56,391
<b>Total Assets</b>	<b>\$ 56,391</b>
<b>LIABILITIES AND NET POSITION</b>	
County Fund	\$ 56,391
Net Position	-
<b>Total Liabilities and Net Position</b>	<b>\$ 56,391</b>

See Notes to the Financial Statements.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

---

**NOTE A - Summary of Accounting Policies**

The Financial Statements of the Mid-Hudson Library System (“Library System”) have been prepared in conformity with generally accepted accounting principles (GAAP) as they apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Library System is a state sponsored organization which works cooperatively with member libraries in Dutchess, Columbia, Greene, Putnam, and Ulster Counties to establish a set of uniform standards and equity of access throughout the service community.

The Library System provides centralized automation, consulting and support services, coordinates and facilitates cooperation among member libraries, and is engaged in advocacy for and promotion of public libraries.

Certain significant accounting principles and policies utilized by the Library System are described as below:

**1. The Reporting Entity**

The reporting entity of the Library System is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity. 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 System. The Library System is not a component unit of another reporting entity. The decision to include a potential component unit in the Library System’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, no other component units are included in the Library System’s reporting entity.

**2. Basic Financial Statements – Government-Wide Statements**

The Library System’s basic financial statements include both government-wide (reporting the Library System as a whole) and fund financial statements (reporting the Library System’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type activities. The Library System’s general administrative services are classified as governmental activities.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library System’s net position are reported in two parts—net investment in capital assets and unrestricted net position.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE A - Summary of Accounting Policies (Continued)**

**2. Basic Financial Statements – Government-Wide Statements (Continued)**

The government-wide Statement of Activities reports both the gross and net cost of each of the Library System's functions or activities. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (contractual expenditures, in the case of the Library System). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Revenues that are not classified as program revenues are presented as general revenues.

This government-wide focus is more on the sustainability of the Library System as an entity and the change in the Library System's net position resulting from the current year's activities.

**3. Basic Financial Statements - Fund Financial Statements**

The financial transactions of the Library System are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

The following fund types are used by the Library System:

**A. Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the governmental funds of the Library System:

1. *General Fund* is the general operating fund of the Library System. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund and is presented separately.
2. *Capital Fund* is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
3. *Special Aid Fund* is used to account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes.
4. *Fiduciary Fund* is used to account for fiduciary activities. Fiduciary activities are those in which the Library System acts as a trustee or agent for resources that belong to others. These activities are not included in the government-wide financial statements, because their resources do not belong to the Library System, and are not available to be used.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE A - Summary of Accounting Policies (Continued)**

**4. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**A. Accrual**

The governmental activities in the government-wide and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**B. Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**5. Financial Statement Amounts**

**A. Budgets**

The Library System administration prepares a proposed budget for approval by the Board of Trustees for the General Fund. Appropriations are adopted at the program line item level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) 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. 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.

Budgets are adopted on an annual basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

**B. Cash and Cash Equivalents**

Cash includes cash on hand, amounts in demand and short-term investments with original maturities of three months or less from date of acquisition. Demand and time deposits, and certificates of deposit not covered by Federal Deposit Insurance, must be collateralized by the banking institutions with investments governed under state statutes.

The cash and cash equivalents of the Library System at December 31, 2016, are as follows:

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Fund</u>	<u>Total</u>
Interest Bearing Accounts	\$ 2,023,445	\$ 10,774	\$ 453,877	\$ 2,488,096
Petty Cash	50	-	-	50
<b>TOTAL</b>	<u><u>\$ 2,023,495</u></u>	<u><u>\$ 10,774</u></u>	<u><u>\$ 453,877</u></u>	<u><u>\$ 2,488,146</u></u>

Governmental Accounting Standards Board Statement No. 40 Deposit and Investment Risk Disclosure, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance or collateralized by securities held by the Library System or its agent in the Library System's name. Deposits at December 31, 2016 were fully collateralized and are not subject to custodial credit risk.

**C. Investments**

Investments are marketable securities carried at fair value at the date of the statement of financial position. New York State Law governs the Library System's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.



**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

**D. Equity Classifications**

**1. Library System-wide Statements**

In the Library System-wide statements, there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions, or improvements of those assets.

Restricted Net Position – reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or other regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the Library System.

**2. Funds Statements**

The Library System implemented GASB #54, Fund Balance Reporting and Governmental Fund Type Definitions which changed the classification of fund balance to focus on the constraints imposed on resources in governmental funds, rather than on availability for appropriation. Fund balance can now be broken down into five categories, of which nonspendable, assigned, and unassigned apply to the Library System.

Nonspendable fund balance consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal endowments.

Assigned fund balance applies to amounts that are constrained by the Library System's intent to be used for specific purposes, established by the government's highest level of decision-making authority, or by their designated body or official. 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 in the General Fund includes \$6,514 assigned for specific purposes through the issuance of purchase orders that encumbered the budget for the year ended December 31, 2016. The assignment is made when purchase orders are approved by the purchasing agent who is designated by the Board of Trustees at its annual reorganizational meeting pursuant to the Library System's purchasing policy.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

**D. Equity Classifications (Continued)**

**2. Funds Statements (Continued)**

Unassigned fund balance represents the residual classification for the government'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 balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or unassigned.

**E. Accounts Receivable**

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

**F. Capital Assets**

Capital assets purchased or acquired are reported at actual cost for acquisitions. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Furniture, Fixtures and Equipment	\$ 1,000	Straight Line	5-10 Years
Vehicles	1,000	Straight Line	5-8 Years
Buildings and Improvements	1,000	Straight Line	30 Years

**G. Accumulated Compensated Absences**

It is the Library System's policy to permit employees to accumulate unpaid annual sick leave, vacation, and sabbatical/personal time. Sick leave and eligibility is specified in negotiated labor contracts, personnel policy, and in individual employment contracts. Upon retirement, resignation, or death, employees that do not receive payment based on unused accumulated sick leave can apply it to their NYS Retirement Benefits.

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the Library System-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

**G. Accumulated Compensated Absences (Continued)**

In the funds statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

**H. Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities and long-term obligations are reported in the Library System-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from the governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

**I. Pension Plans**

**a. Plan Description**

The Library System is required to participate in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan System (Systems). These are cost-sharing multiple-employer retirement systems. The System 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 (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue 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 Retirement Systems, 110 State Street, Albany, New York 12244.

**b. Funding Policy**

The Systems are generally noncontributory. Tiers I-IV are noncontributory after ten years of participation and tier V is required to contribute 3% of their salary, and tier VI is required to contribute a minimum of 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates of participating employers expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by those employers to the pension accumulation fund.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

**I. Pension Plans (Continued)**

**b. Funding Policy (Continued)**

The Library System is required to contribute to the System at an actuarially determined rate. The required contributions for the current and prior two calendar years were \$102,879, \$109,484, and \$113,240, respectively. The Library System's contributions made to the System were equal to 100% of the contributions required for those years.

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

At December 31, 2016, the Library System reported a liability of \$489,559 for its proportionate share of the net pension liability. This amount is recorded as a long-term liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library System's proportion of the net pension liability was based on a projection of the Library System's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2016, the Library System's proportion was .0030502 percent of the Employers' Retirement System liability.

For the year ended December 31, 2016, the Library System recognized pension expense of \$159,211 at December 31, 2016. Resulting from the actuarial calculations provided by the State, the Library System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,474	\$ 58,029
Changes of Assumptions	130,551	-
Net difference between projected and actual investment earnings on pension plan investments	290,433	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	51,009
Employer contributions subsequent to the measurement date	102,879	-
Total	<u>\$ 526,337</u>	<u>\$ 109,038</u>

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

**I. Pension Plans (Continued)**

**c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

\$102,879 reported as deferred outflows of resources related to pensions resulting from the Library System's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred inflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2017	\$	77,000
2018		77,000
2019		77,000
2020		83,421

**Actuarial Assumptions**

The total pension liability at March 31, 2016, was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016.

The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2015, valuation were as follows:

Inflation	2.5%
Salary increases - ERS	3.8%
Investment rate of return	
(net of investment expense, including inflation)	7.0%
Cost of living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

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

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return of the target asset allocation percentage and by adding expected inflation.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

**I. Pension Plans (Continued)**

**c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Actuarial Assumptions (Continued)**

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38.00%
International equity	13.00
Private equity	10.00
Real estate	8.00
Absolute return strategies	3.00
Opportunistic portfolio	3.00
Real assets	3.00
Bonds and mortgages	18.00
Cash	2.00
Inflation-indexed bonds	2.00

**Discount Rate**

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity to the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the Library System's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Library System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate:

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

**I. Pension Plans (Continued)**

**c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Sensitivity to the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption (Continued)

	<b>1% Decrease (6.0%)</b>	<b>Current Assumption (7.0%)</b>	<b>1% Increase (8.0%)</b>
Library System's proportionate share of the net ERS pension liability	\$ 1,103,920	\$ 489,559	\$ (29,550)

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of March 31, 2016, were as follows:

	<u>Dollars in Thousands</u>
	<b>Employees' Retirement System</b>
Employers' total pension liability	\$ 172,303,544
Plan net position	(156,253,265)
Employers' net pension liability	<u>\$ 16,050,279</u>
Ratio of plan net position to the employers' total pension liability	90.7%

**J. Other Post-Employment Benefits**

The Library System provides post-employment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts or provisions approved by the Board. The benefit levels, employee contributions, and employer contributions are governed by the Library System's contractual agreements and the Library System's Board.

In adopting the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the Library System recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Library System's future cash flows. Recognition of the liability will be phased in over 30 years.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

**J. Other Post-Employment Benefits (Continued)**

The Library System recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments made. For the year ended December 31, 2016, the Library System recognized \$155,076 for its share of insurance premiums for currently enrolled retirees.

The Library System has obtained an actuarial valuation report as of December 31, 2016, which indicates the total liability for other post-employment benefits is \$875,476, which is reflected in the Statement of Net Position.

**Annual Other Postemployment Benefit Cost**

The System's OPEB Cost (net expense) amounted to \$373,801 for the year ended December 31, 2016. The System's OPEB cost was equal to the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45 summarized below, less premiums paid for retirees in the current year. The ARC represents a level of funding that, if you paid on an ongoing basis, is projected to cover normal costs plus a past service cost each year and amortize an unfunded actuarial liabilities over a period of 30 years.

Actuarial Accrued Liability (AAL)	
All Eligible Employees	\$ 4,612,975
Total Actuarial Accrued Liability	<u><u>\$ 4,612,975</u></u>
Annual Required Contribution (ARC)	<u><u>\$ 386,404</u></u>
Net OPEB Obligation - beginning of the year	\$ 769,447
Annual Required Contribution (ARC)	386,404
Interest on Net OPEB Obligation	9,618
Adjustment to Annual Required Contribution	<u>(22,221)</u>
Annual OPEB Cost	373,801
Actual Employer Contributions*	<u>(267,772)</u>
Increase in Net OPEB Obligation	106,029
Net OPEB Obligation - end of the year	<u><u>\$ 875,476</u></u>
Percent of Annual OPEB Cost Contributed	71.63%

\*This contribution is the pay-as-you-go amount, as an actual plan has not been established, see Funding Policy.



**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

**J. Other Post-Employment Benefits (Continued)**

Actuarial valuations of an ongoing plan involve 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 funding status of the plan and the required contributions of the System are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value for plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**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.

The following assumptions were made:

Valuation Date: December 31, 2016

Mortality: Life expectancies were based on the RP-2000 Mortality Table

Discount Rate: 1.25% compounded annually

Age Adjustment Factor: 1.608

Participation Rate: 100% of eligible retirees expected to participate

Actuarial Cost Method: Entry age

Amortization period: Level percentage of payroll/open; over 30 years. The remaining period at December 31, 2016 is 27 years.

**K. Restricted Resources**

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

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

**L. Use of Estimates**

The preparation of basic 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 amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

**NOTE B – Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements**

Due to the differences in the measurement focus and basis of accounting used in governmental fund statements and the Government-wide statements, certain financial transactions are treated differently. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

**1. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:**

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

i) The costs of building and acquiring capital assets (land, buildings, and 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 System as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives. The balances at December 31, 2016, are as follows:

Original Cost of Capital Assets	\$ 860,082
Accumulated Depreciaiton	<u>(535,709)</u>
Capital Assets, Net	<u>\$ 324,373</u>

ii) The governmental funds do not include long-term liabilities. However, these liabilities are reported in the Statement of Net Position, because they are not due and payable in the current period. Balances at year-end were:

Net Employee Retirement System	\$ 489,559
Compensated Absences Payable	84,756
Other Postemployment Benefits	<u>875,476</u>
	<u>\$ 1,449,791</u>

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE B – Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements**

1. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities (Continued):

iii) Deferred outflows and inflows related to pensions are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Deferred Outflow of Resources	\$ 526,337
Deferred Inflow of Resources	(109,038)
	<u>\$ 417,299</u>

2. 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. The amounts shown below represent:

i) Revenue and Expense Timing Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Net 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.

ii) Capital Related Differences

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

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE B – Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements (Continued)**

Total Expenditures & Other Resource Uses/Expenses

Total expenditures and other resource uses reported in governmental funds	\$ 3,663,888
---	--------------

In the Statement of Activities, certain operating expenses (compensated absences and retirement incentives) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The amount by which compensated absences earned exceeded the amount used during the year was \$4,844

4,844

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of \$124,040 exceeded depreciation of \$15,059 in the current fiscal year.

(108,981)

In the Statement of Activities, the expense for other postemployment benefits is measured based on the calculated annual required contribution (ARC) of the Library System. In the governmental funds, however, these expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is which the ARC exceeded the amount of financial resources used during the year.

106,029

In the governmental funds, pension expenditures related to ERS and PFRS defined benefit plans are recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. In the Statement of Activities and Changes in Net Position, however, these expenses are measured as the change in the Library System's proportionate shares of the net pension assets and liabilities as of the measurement dates for each plan. This is the amount by which pension expense exceeded the amount of financial resources expended during the year.

53,389

Total Expenditures in the Statement of Activities	\$ 3,719,169
---	--------------

\$ 3,719,169

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE C – Cash – Custodial Credit, Concentration of Credit, Interest Rate, Foreign Currency Risks**

Custodial credit risk is the risk that in the event of a bank failure, the Library System's deposits may not be returned to it. While the Library System does not have a specific policy for custodial credit risk, New York State statutes govern the Library System's investment policies, as discussed previously in these Notes.

The Library System's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Library System's name	\$ 2,595,467

**NOTE D – Capital Assets**

Capital asset balances and activity for the year ended December 31, 2016 were as follows:

	<b>BALANCE JANUARY 1, 2016</b>	<b>ADDITIONS</b>	<b>(DISPOSALS)</b>	<b>BALANCE DECEMBER 31, 2016</b>
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Building	357,641	102,694	-	460,335
Equipment, Furniture and Fixtures	368,401	21,346	-	389,747
<b>Total</b>	<b>736,042</b>	<b>124,040</b>	<b>-</b>	<b>860,082</b>
Less: Accumulated Depreciation:	(520,650)	(15,059)	-	(535,709)
<b>Capital Assets, Net</b>	<b>\$ 215,392</b>	<b>\$ 108,981</b>	<b>\$ -</b>	<b>\$ 324,373</b>
Original Cost of Capital Assets	\$ 860,082			
Accumulated Depreciation	(535,709)			
Capital Assets, Net	<u>\$ 324,373</u>			

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE E – Long-Term Debt**

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

	<b>Balance January 1, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2016</b>	<b>Amounts Due Within One Year</b>
Governmental Activities:					
Compensated Absences	\$ 79,912	\$ 4,844	\$ -	\$ 84,756	\$ -
Other Postemployment Benefits	769,447	106,029	-	875,476	-
Due to NYS Employees' Retirement System	105,367	384,192	-	489,559	-
Total Long-Term Liabilities	<u>\$ 954,726</u>	<u>\$ 495,065</u>	<u>\$ -</u>	<u>\$ 1,449,791</u>	<u>\$ -</u>

**NOTE F – Commitments**

**1. Operating Lease**

Total expenditures on the Copier leases for the year ended December 31, 2016, were \$7,177. The Library System's lease on their Xerox Copier expired during the fiscal year, and then entered into a new lease with the Toshiba Corporation. The maximum future non-cancelable operating lease payments are as follows:

<b>Year Ending December 31,</b>	<b>Amount</b>
<u>2017</u>	<u>\$ 3,692</u>
	<u>\$ 3,692</u>

**2. Other Items**

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

**NOTE G – Fiduciary Fund**

**County Fund**

During 2016, Ulster County used the Library System to distribute funds to libraries in their respective counties. These funds are neither revenue nor expense to the Library System. The following is a breakdown of Funds:

Ulster County	<u>\$ 56,391</u>
	<u>\$ 56,391</u>

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016**

---

**NOTE H – Interfund Balances and Activity**

Interfund balances and activity for the year ended December 31, 2016, were as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ -	\$ -	\$ 27,506	\$ 39,600
Capital Fund	-	-	39,600	27,506
Special Aid Fund	-	-	-	-
Total Governmental Activities	-	-	67,106	67,106
Fiduciary Agency Fund	-	-	-	-
Totals	\$ -	\$ -	\$ 67,106	\$ 67,106

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position. The Library System typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

The Library System typically transfers from the General Fund to the Special Aid Fund to the expenditures which the Library System is expecting to receive funds from New York State as reimbursement.

**NOTE I – Capital Funds**

The Library System maintains funds for member libraries and the System itself, for the purposes of shared purchases among the member libraries. The funds are broken out between members and the System as follows:

Member's Capital	\$ 205,146
MHLS Capital	248,731
Total Capital Funds	<u>\$ 453,877</u>

**NOTE J – New Reporting Standards**

In June 2015, GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. When implemented, this Statement will require the recording of the Library System's net OPEB liability. The Library System is required to implement this standard for the year ending December 31, 2018. The implementation of this standard is expected to have a substantive effect on the Library System's Net Position.

GASB has also issued Statements 69-74 and 76-84, none of which are expected to have any substantive effects on the Library System's Net Position.

**NOTE K – Subsequent Events**

Management has evaluated subsequent events through April 24, 2017, the date that the financial statements were available to be issued. No significant events have been identified that would require adjustment or disclosure in the accompanying financial statements.



LIMITED LIABILITY PARTNERSHIP  
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

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

To the President and Members  
Of the Board of Trustees of the  
Mid-Hudson Library System  
Poughkeepsie, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund information of the Mid-Hudson Library System as of and for the year ended December 31, 2016, and the related Notes to the Financial Statements, which collectively comprise the Library System's basic financial statements, and have issued our report thereon dated August 9, 2017.

**Internal Control over Financial Reporting**

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

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

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

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations to be significant deficiencies (Findings 1 and 2).



**Compliance and Other Matters**

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

**Purpose of This Report**

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

*RBT CPAs, LLP*

Poughkeepsie, New York  
August 9, 2017

**REQUIRED SUPPLEMENTAL INFORMATION**

**EXHIBIT I**

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>GENERAL FUND</b>				
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
LOCAL SOURCES				
Charges for Services	\$ 876,035	\$ 848,443	\$ 801,368	\$ (47,075)
Use of Money and Property	800	800	3,372	2,572
Miscellaneous	58,840	63,840	122,076	58,236
STATE SOURCES	2,329,395	2,868,697	2,868,697	-
<b>Total Revenues</b>	<b>3,265,070</b>	<b>3,781,780</b>	<b>3,795,513</b>	<b>13,733</b>
<b>EXPENDITURES</b>				
SALARIES	996,053	1,000,381	983,122	17,259
EQUIPMENT AND CAPITAL OUTLAY	12,550	12,550	23,012	(10,462)
CONTRACTUAL EXPENDITURES				
Grants	562,392	1,036,701	1,033,682	3,019
Operations and Maintenance	198,080	210,405	197,536	12,869
Other Contractual	895,813	918,725	897,866	20,859
EMPLOYEE BENEFITS				
State Retirement System	118,370	119,062	116,355	2,707
Social Security	75,414	75,745	71,915	3,830
Workers Compensation	13,340	13,340	10,729	2,611
Unemployment Insurance	3,900	3,900	1,135	2,765
Disability Insurance	550	550	206	344
Medical Insurance	317,298	323,621	300,551	23,070
<b>Total Expenditures</b>	<b>3,193,760</b>	<b>3,714,980</b>	<b>3,636,109</b>	<b>78,871</b>
OTHER USES				
Operating Transfers In	30,849	30,849	27,506	(3,343)
Operating Transfers Out	(39,600)	(39,600)	(39,600)	-
<b>Total Other Uses</b>	<b>(8,751)</b>	<b>(8,751)</b>	<b>(12,094)</b>	<b>(3,343)</b>
<b>Excess of Revenues and Other Sources Over</b>				
<b>Expenditures</b>	<b>\$ 62,559</b>	<b>\$ 58,049</b>	<b>\$ 147,310</b>	<b>\$ 89,261</b>

---

**EXHIBIT II**

---

**MID-HUDSON LIBRARY SYSTEM  
SCHEDULE OF FUNDING PROGRESS FOR  
OTHER POST-EMPLOYMENT BENEFITS PLAN  
DECEMBER 31, 2016**

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
<b>12/31/2016</b>	<b>12/31/2016</b>	<b>\$ -</b>	<b>\$4,612,975</b>	<b>\$4,612,975</b>	<b>0.0%</b>	<b>\$982,136</b>	<b>469.69%</b>
12/31/2015	12/31/2013	\$ -	\$4,233,942	\$4,233,942	0.0%	\$936,277	452.21%
12/31/2014	12/31/2013	\$ -	\$4,233,942	\$4,233,942	0.0%	\$876,230	483.20%
<b>12/31/2013</b>	<b>12/31/2013</b>	<b>\$ -</b>	<b>\$4,233,942</b>	<b>\$4,233,942</b>	<b>0.0%</b>	<b>\$853,935</b>	<b>495.82%</b>

**EXHIBIT III**

**MID-HUDSON LIBRARY SYSTEM  
SCHEDULE OF PROPORTIONAL SHARE  
OF NET PENSION LIABILITY  
DECEMBER 31, 2016**

NYSLRS Pension Plan Last 10 Fiscal Years*		
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Library System's proportion of the net pension liability (asset)	0.00305020%	0.00311890%
Library System's proportionate share of the net pension liability (asset)	\$ 489,559	\$ 105,366
Library System's covered-employee payroll	\$ 982,136	\$ 936,277
Library System's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.85%	11.25%
Library System's plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%

\*The amounts presented for each fiscal year were determined as of the System's measurement date

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Library System will present information for those years for which information is available.

**EXHIBIT IV****MID-HUDSON LIBRARY SYSTEM  
SCHEDULE OF PENSION CONTRIBUTIONS  
DECEMBER 31, 2016**

NYSLRS Pension Plan Last 10 Fiscal Years*		
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Contractually required contribution	\$ 114,646	\$ 94,003
Contributions in relation to the contractually required contribution	114,646	94,003
Contribution deficiency (excess)	\$ -	\$ -
Library System's covered-employee payroll	\$ 982,136	\$ 936,277
Contributions as a percentage of covered-employee payroll	11.67%	10.04%

\*The amounts presented for each fiscal year were determined as of the fiscal year end

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Library System will present information for those years for which information is available.

**MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
DECEMBER 31, 2016**

---

**SIGNIFICANT DEFICIENCIES:**

**Finding 1:**

*Bank Reconciliations*

Condition: There is currently no review for the monthly bank reconciliations.

Criteria: Review of the monthly bank reconciliations help facilitate stronger internal controls and oversight over the System's cash.

Cause: Bank Reconciliations are currently performed on paper and on the computer. The reconciliations are neither scanned nor reviewed.

Effect: Reconciliations may be performed incorrectly, may have undetected unusual transactions, or may be performed in an untimely manner.

Recommendation: RBT recommends that the System authorize a reviewer of the monthly reconciliations to institute stronger controls over the process.

**Finding 2:**

*Payment Authorizations*

Condition: Per the controls over payments, not all payment packets contained an authorization from the executive director or the assistant executive director.

Criteria: RBT noted that the controls in place for payments required an authorization of payment from the Executive Director or Assistant Executive Director. This authorization was not always present on the payments made during 2016.

Cause: RBT noted two payment packets lacking authorization from the authorized signors during the course of testing.

Effect: Unusual or incorrect amounts may be paid to unauthorized or unfamiliar vendors without proper oversight and authorization.

Recommendation: RBT recommends that every payment packet processed should have all authorizations noted in the System's control process over payments.

July 7, 2017

RBT CPAs, LLP  
2678 South Road, Suite 101  
Poughkeepsie, NY 12601

This is in response to RBT CPAs' Findings with their audit of Mid-Hudson Library System for the year ended December 31, 2016.

**Finding 1 – Bank Reconciliations**

MHLS acknowledges the recommendation of RBT, and to that extent the Executive Director will be the reviewer of the monthly bank reconciliations and has started this process with the May 31, 2017 bank statements.

**Finding 2 – Payment Authorizations**

MHLS acknowledges the recommendation of RBT to note authorization on all invoice payment packets. This process has been in place for several years and MHLS noted that one or two payment packets had been missed.