

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2013

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
DECEMBER 31, 2013  
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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund information of Mid-Hudson Library System, as of and for the year ended December 31, 2013, which collectively comprise the Mid-Hudson Library System's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of Mid-Hudson Library System. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of the Mid-Hudson Library System is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's discussion and analysis and budgetary comparison on pages 3 through 11 and pages 37 through 39, 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information was not audited, reviewed, or compiled by us, and we do not express an opinion or provide any assurance on it.

*Nugent & Haeussler, P.C.*

April 18, 2014

## MID-HUDSON LIBRARY SYSTEM

### **Management Discussion and Analysis**

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, 2013. 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 accountant's letter 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.

The first of these government-wide statements is the 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.

The second government-wide statement is the Statement of Activities and Changes in Net Position which 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 financial statements are presented on pages 12 and 13 of this report.

## MID-HUDSON LIBRARY SYSTEM

### **Management Discussion and Analysis (Continued)**

#### **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 purposes of this report.

The Library System has two kinds of funds:

Governmental 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 may 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 notes to 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 14 and 16 of this report.

Fiduciary Funds such as agency funds and other payroll withholdings are 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 18 of this report.

#### Notes to 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 19 of this report.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report also includes supplementary information beginning on page 36.

MID-HUDSON LIBRARY SYSTEM

**Management Discussion and Analysis  
(Continued)**

**Financial Analysis of the Library System as a Whole**

The Library System's net position at December 31, 2013 and December 31, 2012, are \$1,791,511 and \$1,861,387, respectively. During the 2013 year the net position decreased by \$69,876, the following table provides a summary of the Library System's net position:

**Summary of Net Assets**

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Assets:		
Current Assets	\$ 2,264,886	\$ 2,082,491
Capital Assets	72,166	77,677
Total Assets	<u>2,337,052</u>	<u>2,160,168</u>
Liabilities:		
Current Liabilities	100,511	49,230
Long-Term Liabilities	445,030	249,551
Total Liabilities	<u>545,541</u>	<u>298,781</u>
Net Assets:		
Invested in Capital Assets	72,166	77,677
Unrestricted	1,719,345	1,783,710
Total Net Assets	<u>\$ 1,791,511</u>	<u>\$ 1,861,387</u>

The following table and supporting graphs provides a summary of revenues, expenses and changes in net position for the years ended December 31, 2013 and December 31, 2012:

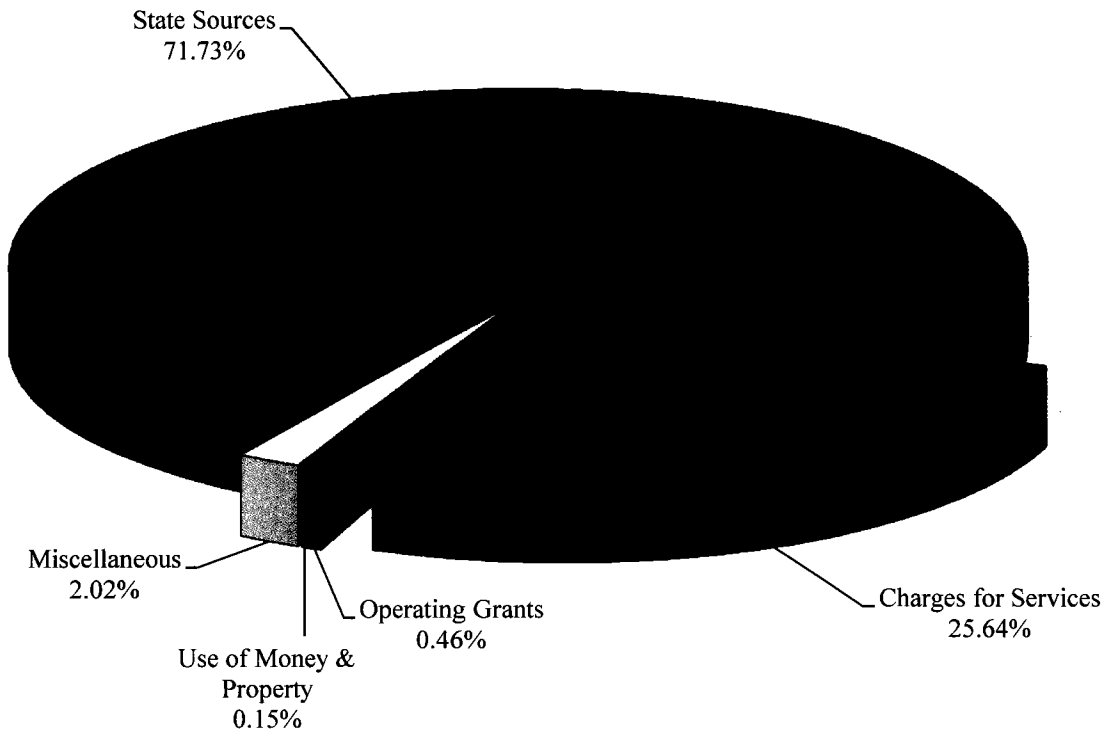
MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
STATEMENT OF ACTIVITIES  
SUMMARY OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED

	<u>December 31,</u> <u>2013</u>	<u>%</u>	<u>December 31,</u> <u>2012</u>	<u>%</u>
<u>REVENUES</u>				
PROGRAM REVENUES:				
Charges for Services	\$ 796,874	25.64%	\$ 738,494	25.22%
Operating Grants	14,319	0.46%	34,250	1.17%
GENERAL REVENUES:				
Use of Money & Property	4,572	0.15%	8,049	0.27%
Miscellaneous	62,744	2.02%	32,075	1.10%
State Sources	<u>2,229,280</u>	<u>71.73%</u>	<u>2,115,011</u>	<u>72.24%</u>
TOTAL REVENUES	<u>3,107,789</u>	<u>100.00%</u>	<u>2,927,879</u>	<u>100.00%</u>
<u>EXPENSES</u>				
Salaries	851,977	26.81%	782,294	28.19%
Employee Benefits	699,932	22.03%	472,842	17.03%
Equipment and Capital Outlay	1,138	0.04%	7,028	0.25%
Depreciation	5,511	0.17%	18,991	0.68%
Contractual Expenses	<u>1,619,107</u>	<u>50.95%</u>	<u>1,494,677</u>	<u>53.85%</u>
TOTAL EXPENSES	<u>3,177,665</u>	<u>100.00%</u>	<u>2,775,832</u>	<u>100.00%</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (69,876)</u>		<u>\$ 152,047</u>	

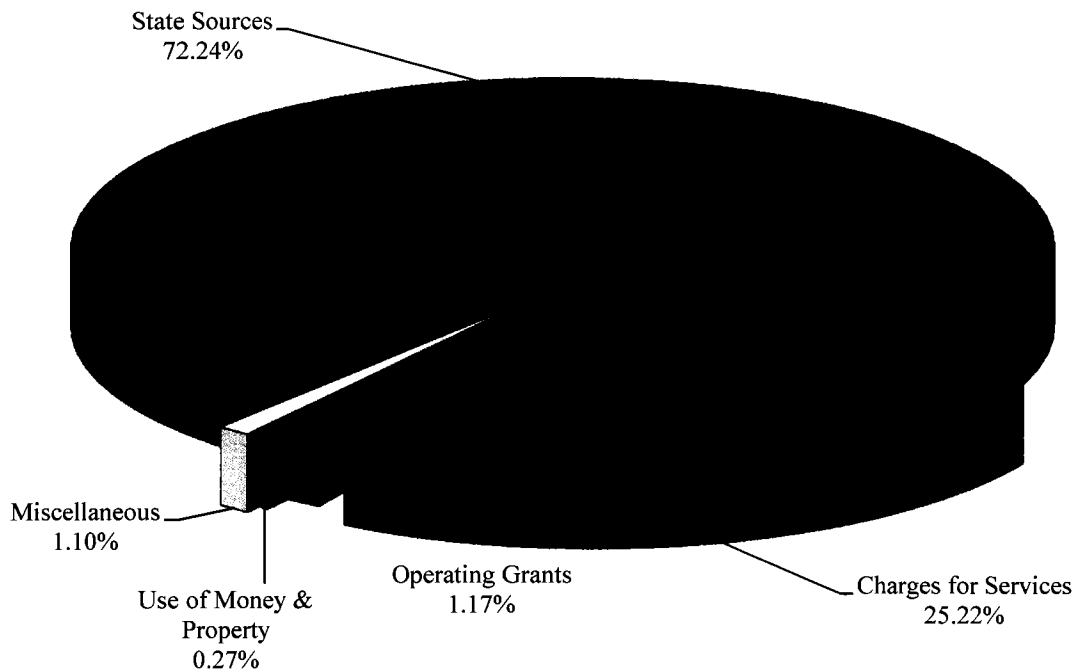


MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK

**SOURCES OF REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

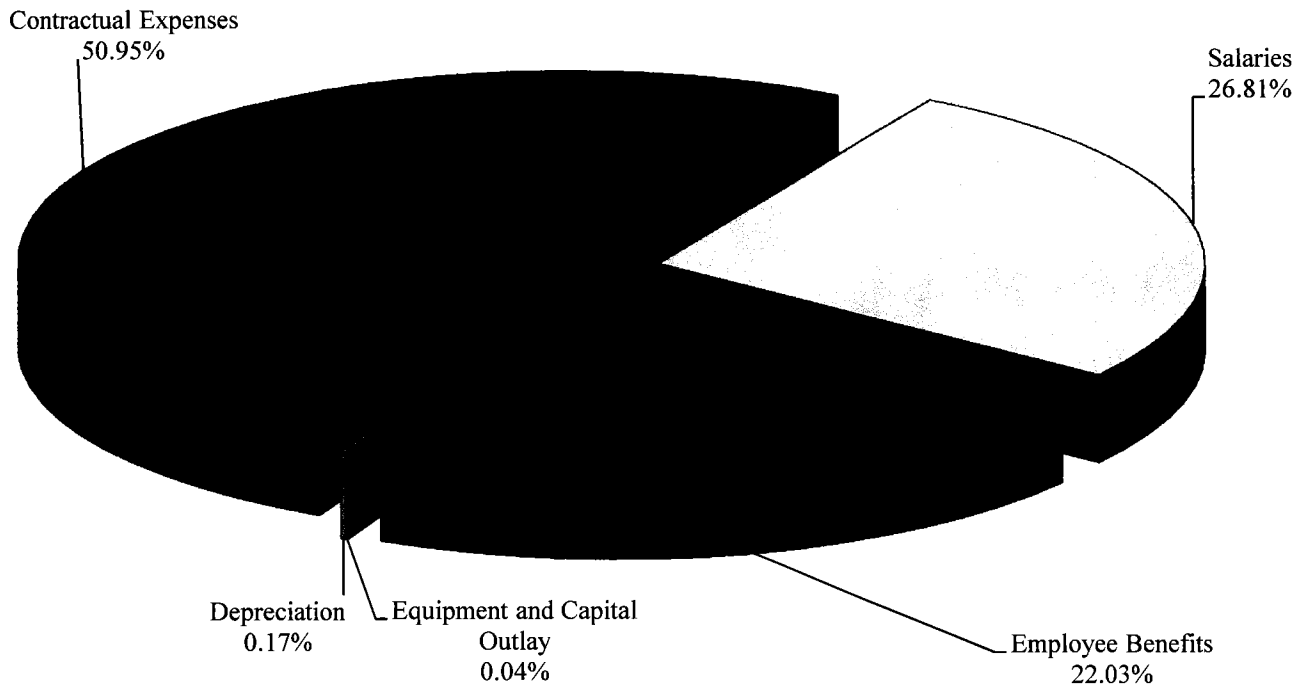


**SOURCES OF REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

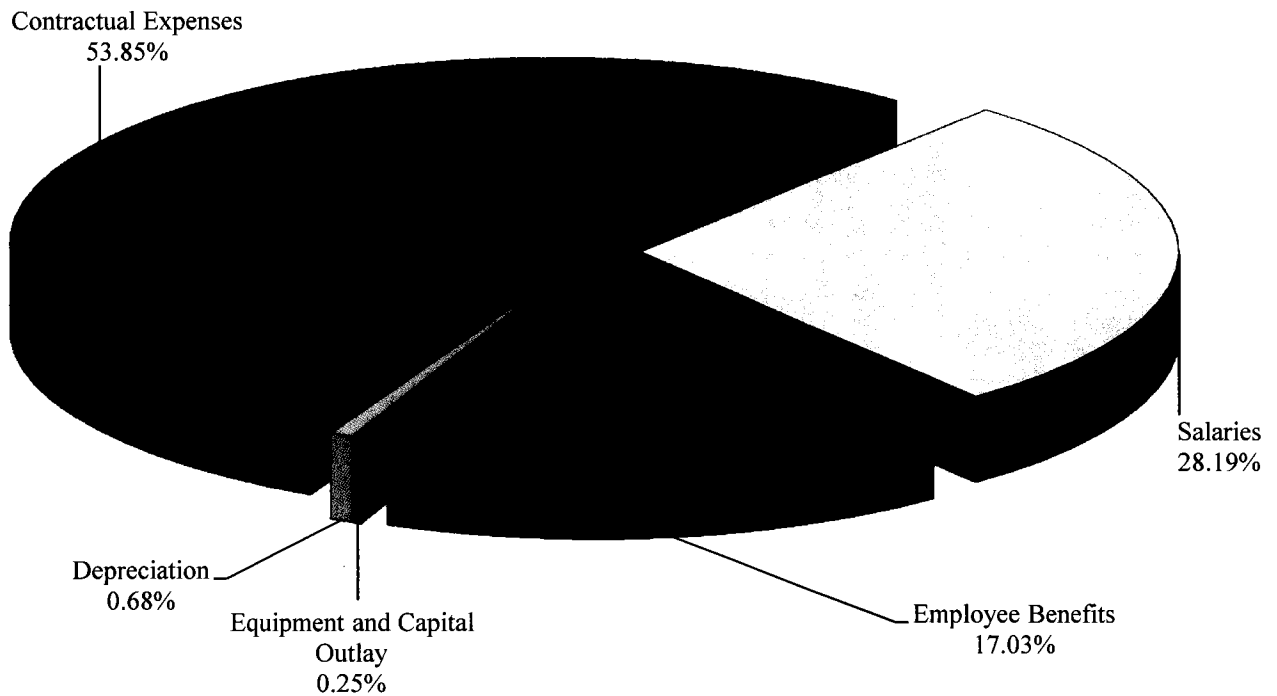


MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK

**EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2013**



**EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2012**

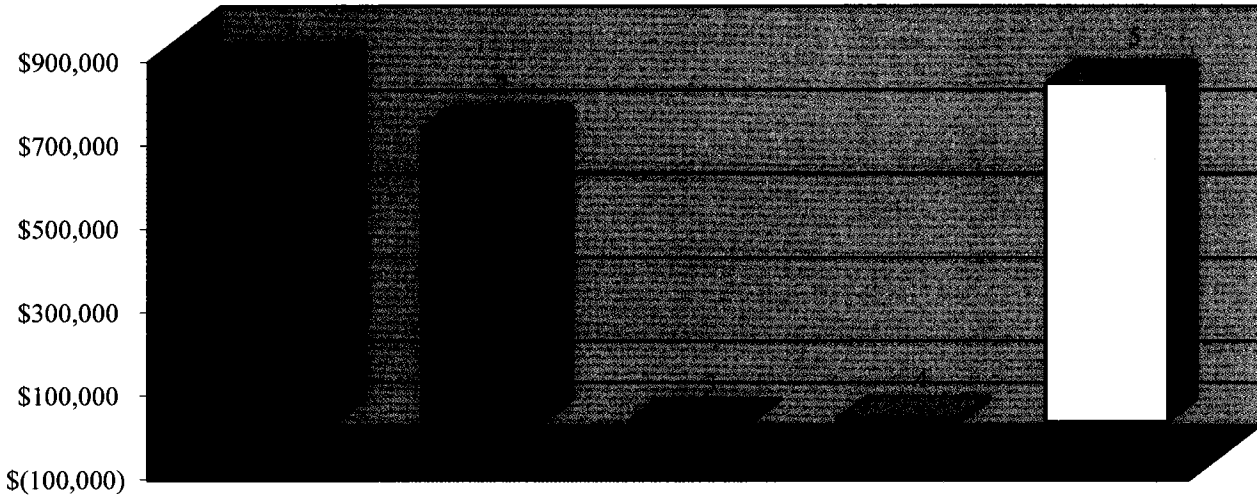


MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
STATEMENT OF ACTIVITIES  
NET COSTS

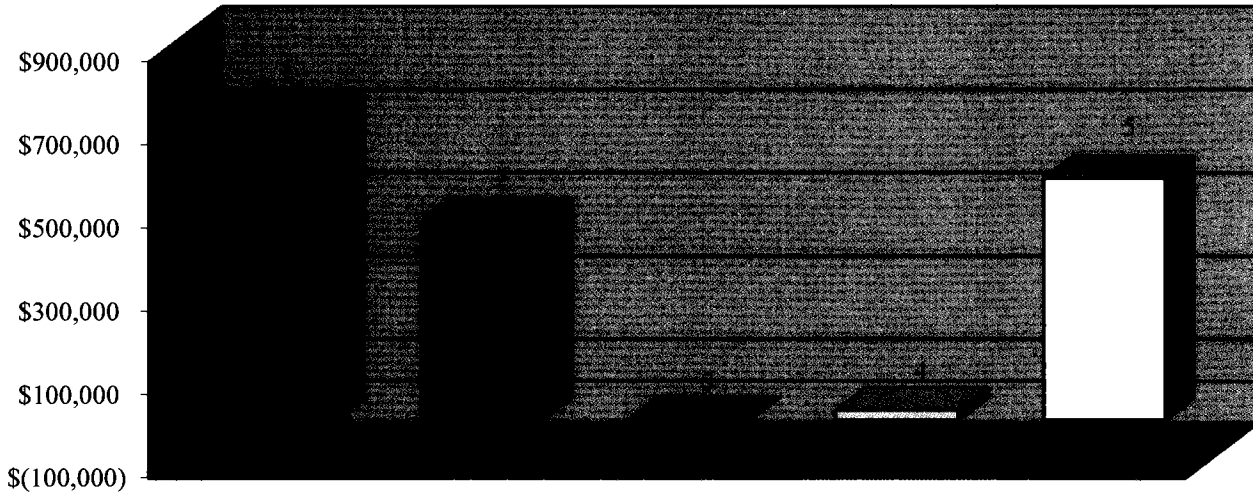
The following information is provided to disclose the net cost of governmental activities:

	<u>TOTAL COST OF SERVICES 2013</u>	<u>NET COST OF SERVICES 2013</u>	<u>TOTAL COST OF SERVICES 2012</u>	<u>NET COST OF SERVICES 2012</u>
Salaries	\$ 851,977	\$ 851,977	\$ 782,294	\$ 738,230
Employee Benefits	699,932	699,932	472,842	475,066
Equipment and Capital Outlay	1,138	1,138	7,028	248
Depreciation	5,511	5,511	18,991	23,008
Contractual Expense	1,619,107	807,914	1,494,677	580,017
	<u>\$ 3,177,665</u>	<u>\$ 2,366,472</u>	<u>\$ 2,775,832</u>	<u>\$ 1,816,569</u>

**NET COSTS 2013**



**NET COSTS 2012**



MID-HUDSON LIBRARY SYSTEM

**Management Discussion and Analysis  
(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 of 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, 2013			
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund	\$ 0	\$ 0	\$ 8,239	\$ 1,815,866
Capital Fund	0	0	342,011	0
Special Aid Fund	0	0	0	(1,741)

	December 31, 2012			
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund	\$ 0	\$ 0	\$ 7,427	\$ 1,726,230
Capital Fund	0	0	301,345	0
Special Aid Fund	0	0	0	(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 \$834,920 due to a reporting change in the budget.

In reviewing the actual results of operations for the General Fund for the year ended December 31, 2013, as compared to the adjusted budget you will find expenditures, including encumbrances, were \$95,911 (3.04%) under budget. Other Contractual and Operations and Maintenance were under budget by \$20,328 (2.79%) and \$28,823 (19.00%), respectively, due to the Library System keeping fiscal restraints on purchases.

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

Employee health and pension benefits continue to rise.

There was a 4.9% increase in State Aid over 2012, but the Governor took it out for 2014.

Management believes that the budget adopted for 2014 year is reasonably adaptable to any adverse changes that may arise based on the above factors.

MID-HUDSON LIBRARY SYSTEM

**Management Discussion and Analysis  
(Continued)**

Capital Assets

The Library System's investment in capital assets, net of accumulated depreciation, as of December 31, 2013, was \$72,166. The Library System's investment in capital assets, net of accumulated depreciation, as of December 31, 2012, was \$77,677. This is a decrease of \$5,511 (7.09) % (see below). The capital assets include land, buildings and equipment. The Library System's depreciation expense for the year was \$5,511.

CAPITAL ASSETS

Net of Accumulated Depreciation

	<u>Library System Activities</u>		<u>% Change</u>
	<u>December 31, 2013</u>	<u>December 31, 2012</u>	
<u>Non-Depreciable Assets:</u>			
Land	\$ 10,000	\$ 10,000	0.00%
<u>Depreciable Assets:</u>			
Buildings	58,140	66,672	-12.80%
Furniture, Fixtures & Equipment	4,026	1,005	300.60%
TOTAL	<u>\$ 72,166</u>	<u>\$ 77,677</u>	-7.09%

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, 2013

ASSETS

Cash	\$ 2,135,502
Accounts Receivable	3,078
State & Federal Aid Receivable	33,966
Capital Assets, Net	<u>72,166</u>
 TOTAL ASSETS	 <u>2,244,712</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Expenditures	<u>92,340</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,337,052</u>

LIABILITIES

Accounts Payable	\$ 54,222
Accrued Expenses	27,344
Due to Employee Retirement System	577
Unearned Revenue	18,368
Long Term Liabilities:	
Due and Payable In More Than One Year:	
Compensated Absences Payable	69,946
Other Post Employment Benefits	<u>375,084</u>
 TOTAL LIABILITIES	 <u>545,541</u>

NET POSITION

Investment in Capital Assets	72,166
Unrestricted	<u>1,719,345</u>
 TOTAL NET POSITION	 <u>\$ 1,791,511</u>

See notes to financial statement.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>PROGRAM REVENUES</u>			NET (EXPENSE) REVENUE & CHANGES IN NET POSITION
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	
<u>FUNCTIONS &amp; PROGRAMS</u>				
Salaries & Employee Benefits	\$ (1,551,909)	\$ 0	\$ 0	\$ (1,551,909)
Equipment & Capital Outlay	(6,649)	0	0	(6,649)
Contractual Expenditures	(1,619,107)	796,874	14,319	(807,914)
TOTAL FUNCTIONS & PROGRAMS	<u>\$ (3,177,665)</u>	<u>\$ 796,874</u>	<u>\$ 14,319</u>	<u>(2,366,472)</u>
<u>GENERAL REVENUES</u>				
Use of Money & Property				4,572
Miscellaneous				62,744
State Sources				2,229,280
TOTAL GENERAL REVENUES				<u>2,296,596</u>
CHANGE IN NET POSITION				(69,876)
NET POSITION, BEGINNING OF YEAR				<u>1,861,387</u>
NET POSITION, END OF YEAR				<u>\$ 1,791,511</u>

See notes to financial statement.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

	<u>GENERAL FUND</u>	<u>CAPITAL FUND</u>	<u>SPECIAL AID FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash	\$ 1,777,870	\$ 342,011	\$ 15,621	\$ 2,135,502
State & Federal Aid Receivable	33,966	0	0	33,966
Accounts Receivable	3,078	0	0	3,078
<b>TOTAL ASSETS</b>	<b>1,814,914</b>	<b>342,011</b>	<b>15,621</b>	<b>2,172,546</b>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Expenditures	92,340	0	0	92,340
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,907,254</b>	<b>\$ 342,011</b>	<b>\$ 15,621</b>	<b>\$ 2,264,886</b>
<u>LIABILITIES &amp; FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 54,222	\$ 0	\$ 0	\$ 54,222
Accrued Expenditures	27,344	0	0	27,344
Due to Employee Retirement System	577	0	0	577
Unearned Revenue	1,006	17,362	17,362	18,368
<b>TOTAL LIABILITIES</b>	<b>83,149</b>	<b>0</b>	<b>17,362</b>	<b>100,511</b>
<u>FUND BALANCE</u>				
Assigned	8,239	342,011	0	350,250
Unassigned	1,815,866	0	(1,741)	1,814,125
<b>TOTAL FUND BALANCE</b>	<b>1,824,105</b>	<b>342,011</b>	<b>(1,741)</b>	<b>2,164,375</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 1,907,254</b>	<b>\$ 342,011</b>	<b>\$ 15,621</b>	<b>\$ 2,264,886</b>

See notes to financial statement.



MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION  
DECEMBER 31, 2013

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS & LIABILITIES	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF NET POSITION
<u>ASSETS</u>				
Cash	\$ 2,135,502	\$ 0	\$ 0	\$ 2,135,502
State & Federal Aid Receivable	33,966	0	0	33,966
Accounts Receivable	3,078	0	0	3,078
Capital Assets, Net	0	72,166	0	72,166
TOTAL ASSETS	<u>2,172,546</u>	<u>72,166</u>	<u>0</u>	<u>2,244,712</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges	92,340	0	0	92,340
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,264,886</u>	<u>\$ 72,166</u>	<u>\$ 0</u>	<u>\$ 2,337,052</u>
<u>LIABILITIES &amp; FUND BALANCES/ NET POSITION</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 54,222	\$ 0	\$ 0	\$ 54,222
Accrued Expenditures	27,344	0	0	27,344
Due to Employee Retirement System	577	0	0	577
Compensated Absences Payable	0	69,946	0	69,946
Other Postemployment Benefits	0	375,084	0	375,084
Unearned Revenue	18,368	0	0	18,368
TOTAL LIABILITIES	<u>100,511</u>	<u>445,030</u>	<u>0</u>	<u>545,541</u>
FUND BALANCES / NET POSITION	<u>2,164,375</u>	<u>(372,864)</u>	<u>0</u>	<u>1,791,511</u>
TOTAL LIABILITIES & FUND BALANCES / NET POSITION	<u>\$ 2,264,886</u>	<u>\$ 72,166</u>	<u>\$ 0</u>	<u>\$ 2,337,052</u>

See notes to financial statement.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>GENERAL FUND</u>	<u>CAPITAL FUND</u>	<u>SPECIAL AID FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>				
Library Charges	\$ 796,874	\$ 0	\$ 0	\$ 796,874
Use of Money & Property	4,428	144	0	4,572
Miscellaneous	62,744	0	0	62,744
State Sources	2,229,280	0	14,319	2,243,599
<b>TOTAL REVENUES</b>	<b>3,093,326</b>	<b>144</b>	<b>14,319</b>	<b>3,107,789</b>
<u>EXPENDITURES</u>				
Salaries	853,935	0	0	853,935
Equipment & Capital Outlay	1,138	0	0	1,138
Contractual Expenditures	1,604,788	0	14,319	1,619,107
Employee Benefits	502,495	0	0	502,495
<b>TOTAL EXPENDITURES</b>	<b>2,962,356</b>	<b>0</b>	<b>14,319</b>	<b>2,976,675</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>130,970</b>	<b>144</b>	<b>0</b>	<b>131,114</b>
<u>OTHER SOURCES &amp; USES</u>				
Operating Transfers In	47,750	88,271	0	136,021
Operating Transfers Out	(88,271)	(47,750)	0	(136,021)
<b>TOTAL OTHER SOURCES &amp; USES</b>	<b>(40,521)</b>	<b>40,521</b>	<b>0</b>	<b>0</b>
<b>EXCESS OF REVENUES &amp; OTHER SOURCES OVER EXPENDITURES &amp; OTHER USES</b>	<b>90,449</b>	<b>40,665</b>	<b>0</b>	<b>131,114</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>1,733,656</b>	<b>301,346</b>	<b>(1,741)</b>	<b>2,033,261</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,824,105</b>	<b>\$ 342,011</b>	<b>\$ (1,741)</b>	<b>\$ 2,164,375</b>

See notes to financial statement.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>	<u>LONG-TERM</u> <u>REVENUE &amp;</u> <u>EXPENSES</u>	<u>CAPITAL</u> <u>RELATED</u> <u>ITEMS</u>	<u>RECLASSIFI-</u> <u>CATIONS &amp;</u> <u>ELIMINATIONS</u>	<u>STATEMENT</u> <u>OF</u> <u>ACTIVITIES</u>
<u>REVENUES</u>					
Library Charges	\$ 796,874	\$ 0	\$ 0	\$ 0	\$ 796,874
Use of Money & Property	4,572	0	0	0	4,572
Miscellaneous	62,744	0	0	0	62,744
State Sources	2,243,599	0	0	0	2,243,599
<b>TOTAL REVENUES</b>	<b>3,107,789</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,107,789</b>
<u>EXPENDITURES</u>					
Salaries	853,935	(1,958)	0	699,932	1,551,909
Equipment & Capital Outlay	1,138	0	5,511	0	6,649
Contractual Expenditures	1,619,107	0	0	0	1,619,107
Employee Benefits	502,495	197,437	0	(699,932)	0
<b>TOTAL EXPENDITURES</b>	<b>2,976,675</b>	<b>195,479</b>	<b>5,511</b>	<b>0</b>	<b>3,177,665</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b> <b>OVER EXPENDITURES</b>	<b>131,114</b>	<b>(195,479)</b>	<b>(5,511)</b>	<b>0</b>	<b>(69,876)</b>
<u>OTHER SOURCES &amp; USES</u>					
Operating Transfers In	136,021	0	0	0	136,021
Operating Transfers (Out)	(136,021)	0	0	0	(136,021)
<b>TOTAL OTHER</b> <b>SOURCES &amp; USES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>INCREASE (DECREASE)</b> <b>FOR THE YEAR</b>	<b>\$ 131,114</b>	<b>\$ (195,479)</b>	<b>\$ (5,511)</b>	<b>\$ 0</b>	<b>\$ (69,876)</b>

See notes to financial statement.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2013

	<u>TRUST AND AGENCY</u>
<u>ASSETS</u>	
Cash	\$ 76,469
TOTAL ASSETS	<u>\$ 76,469</u>
 <u>LIABILITIES AND NET ASSETS</u>	
 <u>LIABILITIES</u>	
County Fund	\$ 76,469
 <u>NET ASSETS</u>	<u>0</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 76,469</u>

See notes to financial statement.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES.

The financial statements of the Mid-Hudson Library System (the 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 below:

A. 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.

B. Basis of Presentation

1. Government-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the Library System's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through state aid, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

B. Basis of Presentation (Continued)

1. Government-wide Statements (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Library System's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

2. Fund Financial Statements

The fund statements provide information about the Library System's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Library System reports the following major governmental funds:

General Fund: This is the Library System's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Capital Fund: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Special Aid Fund: These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes.

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the Library System acts as 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.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund 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. Non-exchange transactions, in which the Library System gives or receives value without directly receiving or giving equal value in exchange includes state aid, grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Cash and Investments

The Library System's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. 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. Investments are stated at fair value.

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Furniture, Fixtures & Equipment	1,000	Straight Line	5 - 10 years
Vehicles	1,000	Straight Line	5 - 8 years
Buildings & Improvements	1,000	Straight Line	30 years

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

G. Vested Employee Benefits

1. Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical/personal time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, personnel policy, and in individual employment contracts. Upon retirement, resignation or death, employees that do not receive a payment based on unused accumulated sick leave can apply it to their NYS retirement benefits.

Library System employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken in varying time periods.

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.

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.

2. Other Benefits

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

In addition to providing pension benefits, the Library System provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts or provisions approved by the Board. Substantially all of the Library System's employees may become eligible for these benefits if they reach normal retirement age while working for the Library System. 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 System and the retired employee. The Library System recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.



MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

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 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. Budgetary Procedures and Budgetary Accounting

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

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

J. Restricted Resources

When an expense is incurred for 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, many of which are described elsewhere in these Notes.

K. 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas including the cost basis and useful lives of long-lived assets.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

L. Equity Classifications

1. Library System-wide Statements

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

Invested in capital assets, net of related debt - 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 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

During the 2011 year, the Library System implemented GASB Statement No. 54. The purpose of this new accounting standard is to provide fund balance categories and classifications that will be more easily understood by users of financial statements and consistently applied by Library Systems. This new standard sets forth hierarchical fund balance classifications that are based primarily upon the extent to which a Library System is bound to observe constraints imposed upon the use of resources reported in governmental funds. The following is a brief description on the five new fund balance classifications that the Library System can utilize:

Nonspendable: Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Library System has no Nonspendable fund balance as of year-end.

Restricted: Constraints have been imposed on the use of these amounts either (a) externally by creditors, grantors, contributors or laws or regulations of other governments; or (b) by law through constitutional provisions or enabling legislation. The Library System has established no reserves that have been classified as restricted fund balance.

Committed: Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. The Library System did not classify any of its fund balances as committed as of December 31, 2013.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

L. Equity Classifications (Continued)

2. Funds Statements (Continued)

Assigned: Includes amounts that are constrained by the Library System's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the General Fund that are intended to be used for a specific purpose. By reporting particular amounts that are not restricted or committed in the governmental funds other than the General Fund, the Library System has assigned those amounts to the purposes of the respective funds. Assigned fund balance in the General Fund includes \$8,239 assigned for specific purposes through the issuance of purchase orders that encumbered the budget for the year ended December 31, 2013. This assignment is made when purchase orders are approved by the Purchasing Agent who is designated each year by the Board of Directors at its annual reorganizational meeting pursuant to the Library System's purchasing policy.

Unassigned: Includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance is reported.

Order of Use of Fund Balance: The Library System considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Library System considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

M. New Accounting Standards

GASB has issued Statement 65, *Items Previously Reported as Assets and Liabilities*, which 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 or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB has issued Statement 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

N. Future Changes in Accounting Standards

GASB has issued Statement 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. The objective of this Statement is to improve the financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting form pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Library is currently studying the statement and plans on adoption if and when required, which will be for the December 31, 2014 financial statements.

GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASSB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting form pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Library is currently studying the statement and plans on adoption if and when required, which will be for the December 31, 2015 financial statements.

GASB has issued Statement 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combination includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Library System is currently studying the statement and plans on adoption if and when required, which will be for the December 31, 2014 financial statements.

GASB has issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The obligation of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The Library System is currently studying the statement and plans on adoption if and when required, which will be for the December 31, 2014 financial statements.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

O. Subsequent Events

In preparing these financial statements, the Library System has evaluated events and transactions for potential recognition or disclosure through April 18, 2014, as disclosed in Note 13, the date the financial statements were available to be issued. Management has determined no significant subsequent events other than those disclosed in Note 13 have been identified that would require adjustment of or disclosure in the accompanying financial statements.

NOTE 2. 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 the 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.

A. 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.

1. 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, 2013 are as follows:

Original Cost of Capital Assets	\$ 579,631
Accumulated Depreciation	507,465
Capital Assets, Net	<u>\$ 72,166</u>

2. The government funds balance sheet does not show a liability for compensated absences (it is expensed as paid). The Statement of Net Position shows a liability of \$69,946 which represents accumulated unpaid compensated absences at year end.
3. The government funds balance sheet does not show a liability for other post-employment benefits (it is expensed as paid). The Statement of Net Position shows a liability of \$375,084, which represents accumulated other post-employment benefits absences at year end.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS. (Continued)

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. The amounts shown below represent:

1. 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 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.

2. 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 an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-Term Debt Transaction Differences

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

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

Explanation of Differences between Governmental Funds Operating Statement  
and the Statement of Activities

NOTE 2. 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 (Schedule 5)	\$2,976,675
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 used exceeded the amount earned during the year was \$769.	(769)
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 depreciation of \$5,511 was more than capital expenditures of \$0 in the current fiscal year.	5,511
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 is the amount by which the ARC exceeded the amount of financial resources used during the year.	<u>196,248</u>
Total expenses in the Statement of Activities (Schedule 2)	<u><u>\$3,177,665</u></u>

NOTE 3. STEWARDSHIP AND COMPLIANCE.

The Library System was in compliance with all legal and contractual provisions for the fiscal year.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 4. 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	\$	0.
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Library System's name	\$	2,135,455.

The Library System does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk. The Library System also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

NOTE 5. CAPITAL ASSETS.

Capital asset balances and activity for the year ended December 31, 2013 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Land	\$ 10,000	\$ 0	\$ 0	\$ 10,000
Buildings	218,253	0	0	218,253
Furniture, Fixtures & Equipment	351,378	0	0	351,378
Historical Cost	579,631	0	0	579,631
Less: Accumulated Depreciation	(501,954)	(5,511)	0	(507,465)
Historical Cost, Net	\$ 77,677	\$ (5,511)	\$ 0	\$ 72,166



MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT.

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid/ Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 70,715	\$ 0	\$ 769	\$ 69,946	\$ 0
Other Postemployment Benefits	<u>178,836</u>	<u>420,307</u>	<u>(224,059)</u>	<u>375,084</u>	<u>0</u>
Total Long-Term Liabilities	<u>\$ 249,551</u>	<u>\$ 420,307</u>	<u>\$ (223,290)</u>	<u>\$ 445,030</u>	<u>\$ 0</u>

The General Fund's unreserved fund balance has typically been used to liquidate long-term liabilities such as compensated absences.

NOTE 7. PENSION PLANS.

The Library System participates in the New York State Employees' Retirement System (NYSERS). This is a cost-sharing multiple employer public employee retirement system. The Library 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.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern the contribution obligations of employers and employees and govern the benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. The 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 accumulation fund. The Library System is required to contribute at an actuarially determined rate based on the annual payroll for the year. The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>NYSERS</u>
2013	135,496
2012	96,233
2011	73,409

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 8. COMMITMENTS.

A. Operating Lease

Total expenditures on the Xerox Copier lease for the year ended December 31, 2013 were \$16,642. The maximum future non-cancelable operating lease payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2014	<u>\$ 10,199</u>

B. 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 9. FIDUCIARY FUND.

County Fund

During 2013, Dutchess, Ulster and Columbia counties and the Town of Unionvale each 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 by county:

Dutchess County	\$ 51,493
Ulster County	78,956
Columbia County	58,662
Town of Unionvale	<u>25,000</u>
	<u>\$ 214,111</u>

NOTE 10. POST-EMPLOYMENT (HEALTH INSURANCE) 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.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 10. POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS. (Continued)

The Library System implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, in the year ended December 31, 2013. This required the Library System to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The Library System recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended December 31, 2013, the Library System recognized \$155,921 for its share of insurance premiums for currently enrolled retirees.

The Library System has obtained an actuarial valuation report as of January 31, 2013, which indicates that the total liability for other post-employment benefits is \$375,084, which is reflected in the Statement of Net Position.

Annual OPEB Cost and Net OPEB Obligation

The Library System's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 System's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Library System's net OPEB obligation:

Annual Required Contribution	\$ 422,973
Adjustment to Annual Required Contribution	(4,901)
Interest on Net OPEB Obligation	2,235
Annual OPEB Cost (Expense)	420,307
Age Adjusted Contribution	(224,059)
Increase in Net OPEB Obligation	196,248
Net OPEB Obligation, December 31, 2012	178,836
Net OPEB Obligation, December 31, 2013	\$ 375,084

The Library System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	\$ 420,307	224,059	53.3%	\$ 375,084
December 31, 2012	271,423	232,892	85.8%	178,836
December 31, 2011	264,319	220,409	83.4%	140,305

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 10. POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS. (Continued)

Funded Status and Funding Progress

As of January 31, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$4,233,942, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,233,942. The covered payroll (annual payroll of active employees covered by the plan) was \$853,935, and the ratio of the UAAL to the covered payroll was 495.82%. 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 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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of 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: January 31, 2014

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

Discount Rate: 1.25% compounded annually.

Age Adjustment Factor: 1.437

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 amortization period at December 31, 2013 is 27 years.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
NOTES TO FINANCIAL STATEMENTS

NOTE 11. INTERFUND BALANCES AND ACTIVITY.

Interfund balances and activity for the year ended December 31, 2013, were as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 0	\$ 0	\$ 47,750	\$ 88,271
Capital Fund	0	0	88,271	47,750
Special Aid Fund	0	0	0	0
Total Governmental Activities	0	0	136,021	136,021
Fiduciary Agency Fund	0	0	0	0
Totals	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 136,021</u>	<u>\$ 136,021</u>

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 fund the expenditures which the Library System is expecting to receive funds from New York State as reimbursement.

NOTE 12. SUBSEQUENT EVENTS.

Management has evaluated subsequent events through April 18, 2014 the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying consolidated financial statements.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
12/31/2013	\$ 0	\$4,233,942	\$4,233,942	0%	\$853,935	495.82%

The information shown above was obtained from the most recent valuation.

See paragraph on supplementary schedules included in auditor's reprot.

MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>ORIGINAL</u>	<u>REVISED</u>	<u>CURRENT</u>	<u>OVER</u>
<u>REVENUES</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>YEAR'S</u>	<u>(UNDER)</u>
			<u>REVENUES</u>	<u>REVISED</u>
				<u>BUDGET</u>
LOCAL SOURCES:				
Library Charges	\$ 860,490	\$ 820,859	\$ 796,874	\$ (23,985)
Use of Money & Property	5,100	6,400	4,428	(1,972)
Miscellaneous	31,450	56,950	62,744	5,794
STATE SOURCES	1,405,900	2,229,280	2,229,280	0
OTHER SOURCES:				
Operating Transfers In	<u>0</u>	<u>47,750</u>	<u>47,750</u>	<u>0</u>
TOTAL REVENUES	2,302,940	3,161,239	<u>3,141,076</u>	<u>\$ (20,163)</u>
APPROPRIATED FUND BALANCE	<u>16,917</u>	<u>(6,462)</u>		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	<u>\$ 2,319,857</u>	<u>\$ 3,154,777</u>		

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

SUPPLEMENTAL SCHEDULE #2 (CONTINUED)  
MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>EXPENDITURES</u>	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>CURRENT YEAR'S EXPENSES</u>	<u>ENCUM- BRANCES</u>	<u>UNENCUM- BERED BALANCE</u>
SALARIES	\$ 773,569	\$ 863,899	853,935	\$ 0	\$ 9,964
EQUIPMENT & CAPITAL OUTLAY	12,500	8,279	1,138	1,970	5,171
CONTRACTUAL EXPENDITURES:					
Books	167,588	254,696	238,627	5,972	10,097
Grants	6,500	536,861	534,982	0	1,879
Operations and Maintenance	150,050	151,691	122,868	0	28,823
Other Contractual	640,672	728,936	708,311	297	20,328
EMPLOYEE BENEFITS:					
State Retirement System	126,272	150,261	150,261	0	0
Social Security	59,178	64,046	63,373	0	673
Workers Compensation	10,000	10,000	7,072	0	2,928
Unemployment Insurance	3,900	3,900	1,053	0	2,847
Disability Insurance	1,200	1,200	324	0	876
Medical Insurance	294,557	291,737	280,412	0	11,325
TOTAL EXPENDITURES	2,245,986	3,065,506	2,962,356	8,239	94,911
OTHER USES:					
Operating Transfers Out	73,871	89,271	88,271	0	1,000
TOTAL EXPENDITURES & OTHER USES	<u>\$ 2,319,857</u>	<u>\$ 3,154,777</u>	<u>3,050,627</u>	<u>\$ 8,239</u>	<u>\$ 95,911</u>
EXCESS OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES			<u>\$ 90,449</u>		

See paragraph on supplementary schedules included in auditor's reprot.



MID-HUDSON LIBRARY SYSTEM  
POUGHKEEPSIE, NEW YORK  
SCHEDULE OF CHANGES FROM BOARD APPROVED BUDGET TO REVISED BUDGET  
USE OF UNASSIGNED FUND BALANCE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

BOARD APPROVED BUDGET		\$ 2,312,430
Add: Encumbrances from prior year		<u>7,427</u>
ORIGINAL BUDGET		2,319,857
ADDITIONS:		
Budget Amendments:		
Salaries	\$ 90,330	
Employee Benefits	26,037	
Contractual Expenditures	707,374	
Other Uses	<u>15,400</u>	
TOTAL ADDITIONS		<u>839,141</u>
SUBTRACTIONS:		
Budget Amendments:		
Equipment and Capital Outlay	<u>(4,221)</u>	
TOTAL SUBTRACTIONS		<u>(4,221)</u>
REVISED BUDGET		<u><u>\$ 3,154,777</u></u>
USE OF UNASSIGNED FUND BALANCE		
Unassigned Fund Balance Beginning of the Year		\$ 1,726,230

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