

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

DRAFT

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
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DECEMBER 31, 2014**

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INDEPENDENT ACCOUNTANTS' 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 the Mid-Hudson Library System as of and for the year ended December 31, 2014, which collectively comprise the 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 management of the 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 the Budgetary Comparison Schedule on pages 2 through 10 and pages 35 through 36, 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 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.

Poughkeepsie, New York
April 6, 2015

**Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2014
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, 2014. 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. 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 and Changes in Net Position –

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.

Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2014 (Cont'd.)
Un-audited

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, 2014 (Cont'd.)
Un-audited**

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding or 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 35.

FINANCIAL ANALYSIS OF THE LIBRARY SYSTEM AS A WHOLE

The Library System's net position at December 31, 2014 and December 31, 2013, are \$1,804,793 and \$1,791,511, respectively. During the 2014 year, the net position increased by \$13,282. The following table provides a summary of the Library System's net position:

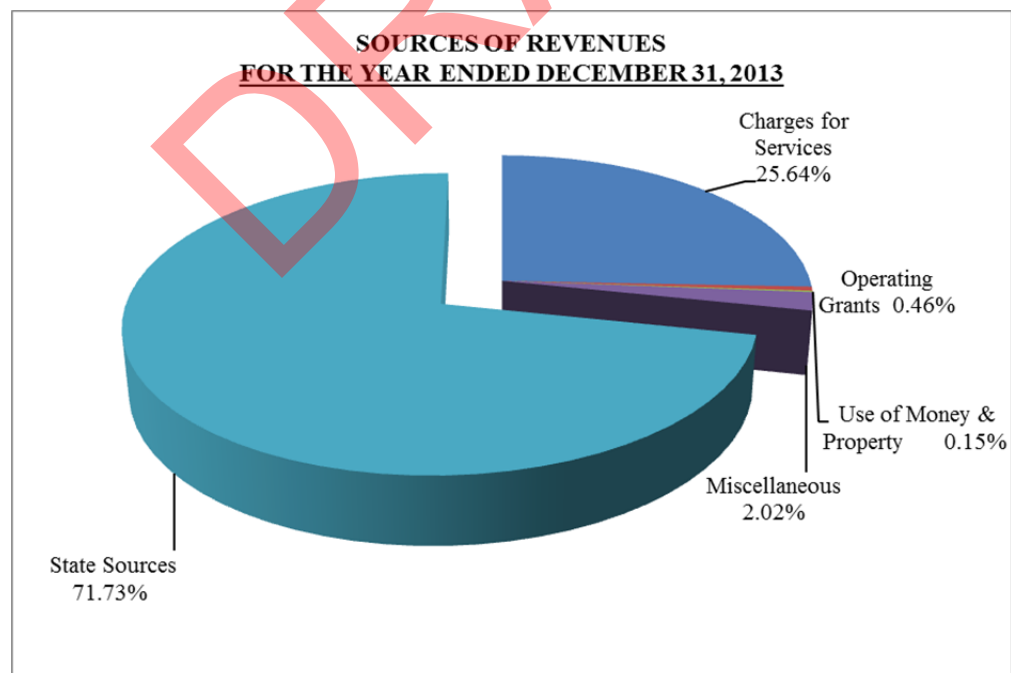
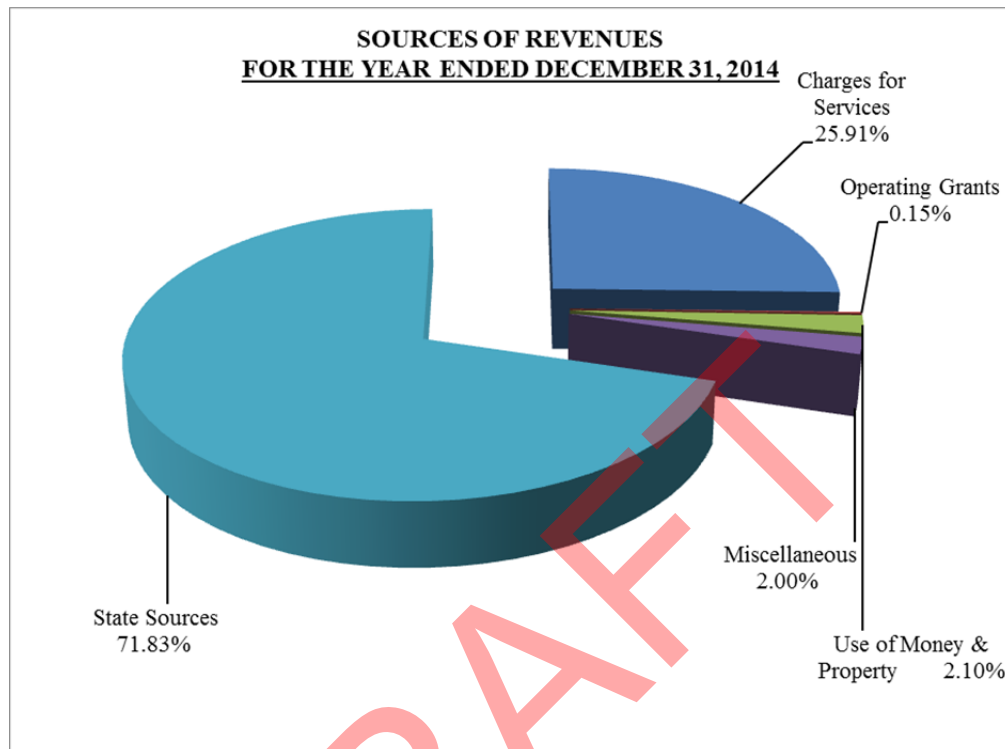
	Summary of Net Assets		
	2014	2013	Change
Assets:			
Current Assets	\$2,318,547	\$ 2,172,546	\$ 146,001
Capital Assets	166,409	72,166	94,243
Total Assets	<u>2,484,956</u>	<u>2,244,712</u>	<u>240,244</u>
Deferred Outflows of Resources:	<u>90,770</u>	<u>92,340</u>	<u>(1,570)</u>
Total Assets and Deferred Outflows of Resources:	<u><u>\$2,575,726</u></u>	<u><u>\$ 2,337,052</u></u>	<u><u>\$ 238,674</u></u>
Liabilities			
Current Liabilities	\$ 123,950	\$ 100,511	\$ 23,439
Long-Term Liabilities	646,983	445,030	201,953
Total Liabilities	<u>770,933</u>	<u>545,541</u>	<u>\$ 225,392</u>
Invested in Capital Assets, Net of Related Debt	166,409	72,166	94,243
Unrestricted	<u>1,638,384</u>	<u>1,719,345</u>	<u>(80,961)</u>
Total Net Position	<u><u>1,804,793</u></u>	<u><u>1,791,511</u></u>	<u><u>13,282</u></u>
Total Liabilities and Net Position	<u><u>\$2,575,726</u></u>	<u><u>\$ 2,337,052</u></u>	<u><u>\$ 238,674</u></u>

Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2014 (Cont'd.)
Un-audited

The following table and supporting graphs provides a summary of revenues, expenses, and changes in net position for the years ended December 31, 2014 and December 31, 2013:

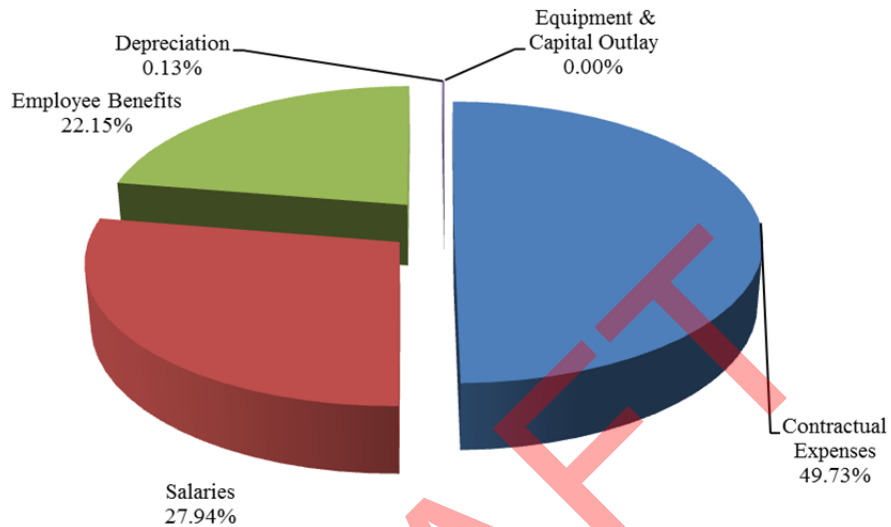
Revenues	Governmental Activities		
	2014	2013	Change
Program Revenues			
Charges for Services	\$ 817,366	\$ 796,874	\$ 20,492
Operating Grants	44,292	14,319	29,973
General Revenues			
Use of Money and Property	4,849	4,572	277
Miscellaneous	66,237	62,744	3,493
State Sources	2,221,374	2,229,280	(7,906)
Total Revenues	3,154,118	3,107,789	46,329
Expenses			
Salaries	877,281	851,977	25,304
Employee Benefits	695,392	699,932	(4,540)
Equipment and Capital Outlay	2,990	1,138	1,852
Depreciation	4,032	5,511	(1,479)
Contractual Expenses	1,561,141	1,619,107	(57,966)
Total Expenses	3,140,836	3,177,665	25,304
Change in Net Position	\$ 13,282	\$ (69,876)	\$ 83,158

**Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2014 (Cont'd.)
Un-audited**

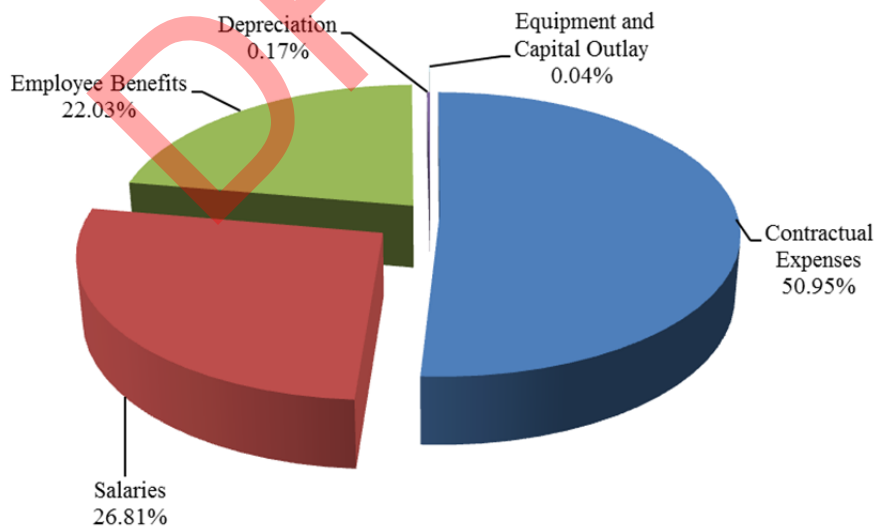


**Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2014 (Cont'd.)
Un-audited**

EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2014



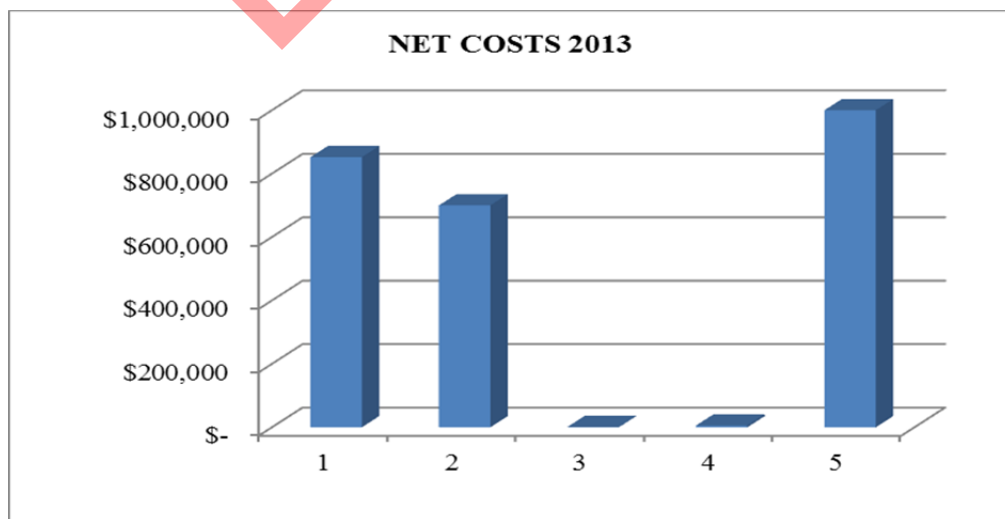
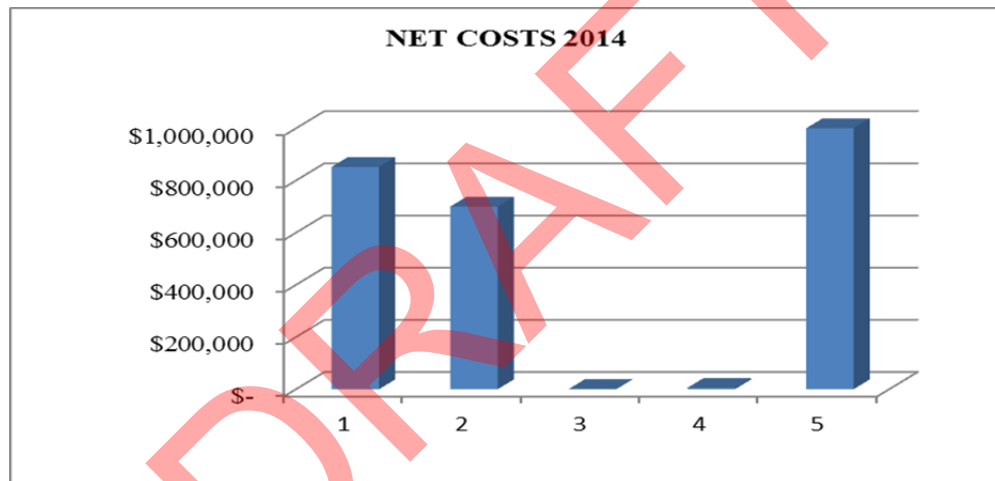
EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2013



**Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2014 (Cont'd.)
Un-audited**

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

		TOTAL COST OF SERVICES 2014	NET COST OF SERVICES 2014	TOTAL COST OF SERVICES 2013	NET COST OF SERVICES 2013
Salaries	1	\$ 877,281	\$ 877,281	\$ 851,977	\$ 851,977
Employee Benefits	2	695,392	695,392	699,932	699,932
Equipment and Capital Outlay	3	2,990	2,990	1,138	1,138
Depreciation	4	4,032	4,032	5,511	5,511
Contractual Expenses	5	1,561,141	1,561,141	1,619,107	1,619,107
		<u>\$ 3,140,836</u>	<u>\$ 3,140,836</u>	<u>\$ 3,177,665</u>	<u>\$ 3,177,665</u>



**Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2014 (Cont'd.)
Un-audited**

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, 2014			
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund	\$ 90,770	\$ -	\$ 6,634	\$ 1,809,986
Capital Fund	-	-	379,718	-
Special	-	-	-	(1,741)

	December 31, 2013			
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund	\$ 92,340	\$ -	\$ 7,427	\$ 1,633,890
Capital Fund	-	-	301,345	-
Special	-	-	-	(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 \$112,211.

In reviewing the actual results of operations for the General Fund for the year ended December 31, 2014, as compared to the adjusted budget, you will find expenditures were \$49,881 under budget. Other Contractual and Books were under budget by \$12,046 and \$10,171, respectively, due to the Library System keeping fiscal restraints on purchases.

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 2015 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, 2014 (Cont'd.)
Un-audited**

Capital Assets

The Library System's investment in capital assets, net of accumulated depreciation, as of December 31, 2014 was \$166,409. The Library System's investment in capital assets, net of accumulated depreciation, as of December 31, 2013 was \$72,166. This is an increase of \$94,323, 130.59% (see below). The capital assets include land, buildings, and equipment. The Library's depreciation expense for the year was \$4,032.

CAPITAL ASSETS			
<u>Net of Accumulated Depreciation</u>			
	<u>2014</u>	<u>2013</u>	<u>% Change</u>
<u>Non-Depreciable Assets</u>			
Land	\$ 10,000	\$ 10,000	0.00%
<u>Depreciable Assets</u>			
Buildings	148,387	58,140	155.22%
Equipment, Furniture and Fixtures	8,022	4,026	99.25%
Total	<u><u>\$ 166,409</u></u>	<u><u>\$ 72,166</u></u>	130.59%

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, 2014**

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,271,372
State and Federal Aid Receivable	35,338
Accounts Receivable	11,837
Prepaid Expenditures	90,770
Total Current Assets	<u>2,409,317</u>
Capital Assets:	
Land	10,000
Buildings, Machinery and Equipment, Net of Depreciation	156,409
Total Capital Assets	<u>166,409</u>
TOTAL ASSETS	<u>\$ 2,575,726</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 69,584
Accrued Expenditures	31,160
Due to Employee Retirement System	728
Unearned Revenue	22,478
Total Current Liabilities	<u>123,950</u>
Long Term Liabilities:	
Compensated Absences Payable	70,997
Other Post Employment Benefits	575,986
Total Long Term Liabilities	<u>646,983</u>
Total Liabilities	<u>770,933</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	166,409
Unrestricted	1,638,384
Total Net Position	<u>1,804,793</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,575,726</u>

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014**

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
Governmental Activities:				
Salaries & Employee Benefits	\$ (1,572,673)	\$ -	\$ -	\$ (1,572,673)
Equipment & Capital Outlay	(7,022)	-	-	(7,022)
Contractual Expenditures	<u>(1,561,141)</u>	<u>817,366</u>	<u>44,292</u>	<u>(699,483)</u>
Total governmental activities	<u><u>\$ (3,140,836)</u></u>	<u><u>\$ 817,366</u></u>	<u><u>\$ 44,292</u></u>	<u><u>(2,279,178)</u></u>
General revenues				
Use of Money & Property				4,849
Miscellaneous				66,237
State Sources				<u>2,221,374</u>
Total General Revenues				<u>2,292,460</u>
Change in Net Position				13,282
Net Position at Beginning of Year				<u>1,791,511</u>
Net Position at End of Year				<u><u>\$ 1,804,793</u></u>

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	GENERAL FUND	CAPITAL FUND	SPECIAL AID FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 1,875,847	\$ 379,718	\$ 15,807	\$ 2,271,372
State & Federal Aid Receivable	35,338	-	-	35,338
Accounts Receivable	11,837	-	-	11,837
Prepaid Expenditures	90,770	-	-	90,770
Total Assets	\$ 2,013,792	\$ 379,718	\$ 15,807	\$ 2,409,317
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 69,584	\$ -	\$ -	\$ 69,584
Accrued Expenditures	31,160	-	-	31,160
Due to Employee Retirement System	728	-	-	728
Unearned Revenue	4,930	-	17,548	22,478
Total Liabilities	106,402	-	17,548	123,950
FUND EQUITY				
Fund balance (deficit):				
Nonspendable:				
Prepaid Expenditures	90,770	-	-	90,770
Assigned:	-	-	-	-
Reserve for Encumbrances	6,634	-	-	6,634
Capital	-	379,718	-	379,718
Unassigned	1,809,986	-	(1,741)	1,808,245
Total Fund Equity	1,907,390	379,718	(1,741)	2,285,367
Total Liabilities and Fund Equity	\$ 2,013,792	\$ 379,718	\$ 15,807	\$ 2,409,317

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS & LIABILITIES	RECLASSIFI- CATIONS & ELIMINATIONS	STATEMENT OF NET POSITION
ASSETS				
Cash and Cash Equivalents	\$ 2,271,372	\$ -	\$ -	\$ 2,271,372
State and Federal Aid Receivable	35,338	-	-	35,338
Accounts Receivable	11,837			11,837
Capital Assets, Net	-	166,409	-	166,409
Prepaid Expenditures	90,770	-	-	90,770
TOTAL ASSETS	\$ 2,409,317	\$ 166,409	\$ -	\$ 2,575,726
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 69,584	-	-	\$ 69,584
Accrued Expenditures	31,160	-	-	31,160
Due to Employee Retirement System	728	-	-	728
Compensated Absences Payable	-	70,997	-	70,997
Other Postemployment Benefits	-	575,986	-	575,986
Unearned Revenue	22,478	-	-	22,478
Total Liabilities	123,950	646,983	-	770,933
FUND BALANCES/NET POSITION	2,285,367	(480,574)	-	1,804,793
TOTAL LIABILITIES & FUND BALANCES/NET POSITION	\$ 2,409,317	\$ 166,409	\$ -	\$ 2,575,726

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	GENERAL FUND	CAPITAL FUND	SPECIAL AID FUND	TOTAL FUNDS
REVENUES				
Library Charges	\$ 817,366	\$ -	\$ -	\$ 817,366
Use of Money and Property	4,761	88	-	4,849
Miscellaneous	66,237	-	-	66,237
State Source	2,221,374	-	44,292	2,265,666
Total Revenues	3,109,738	88	44,292	3,154,118
EXPENDITURES				
Salaries	876,230	-	-	876,230
Equipment & Capital Outlay	9,083	-	-	9,083
Contractual Expenditures	1,609,031	-	44,292	1,653,323
Employee Benefits	494,490	-	-	494,490
Total Expenditures	2,988,834	-	44,292	3,033,126
Excess of Revenues Over Expenditures	120,904	88	-	120,992
OTHER SOURCES & USES				
Operating Transfers In	15,881	53,500	-	69,381
Operating Transfers Out	(53,500)	(15,881)	-	(69,381)
Total Other Sources & Uses	(37,619)	37,619	-	-
Excess of Revenues & Other Sources Over Expenditures & Other Uses	83,285	37,707	-	120,992
Fund Equity, January 1, 2014	1,824,105	342,011	(1,741)	2,164,375
Fund Equity, December 31, 2014	\$ 1,953,056	\$ 379,718	\$ (1,741)	\$ 2,285,367

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE & EXPENSES	CAPITAL RELATED ITEMS	RECLASSIFI- CATIONS & ELIMINATIONS	STATEMENT OF ACTIVITIES
REVENUES					
Library Charges	\$ 817,366	\$ -	\$ -	\$ -	\$ 817,366
Use of Money & Property	4,849	-	-	-	4,849
Miscellaneous	66,237	-	-	-	66,237
State Sources	2,265,666	-	-	-	2,265,666
Total revenues	3,154,118	-	-	-	3,154,118
EXPENDITURES					
Salaries	876,230	1,051	-	695,392	1,572,673
Equipment & Capital Outlay	9,083	-	96,214	(98,275)	7,022
Contractual Expenditures	1,653,323	-	-	(92,182)	1,561,141
Employee benefits	494,490	200,902	-	(695,392)	-
Total expenditures	3,033,126	201,953	96,214	(190,457)	3,140,836
Excess (deficiency) of revenue over expenditures	120,992	(201,953)	(96,214)	190,457	13,282
OTHER SOURCES & USES					
Operating Transfers In	69,381	-	-	-	69,381
Operating Transfers Out	(69,381)	-	-	-	(69,381)
Total Other Sources & Uses	-	-	-	-	-
INCREASE (DECREASE) FOR THE YEAR	\$ 120,992	\$ (201,953)	\$ (96,214)	\$ 190,457	\$ 13,282

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2014**

	<u>TRUST AND AGENCY</u>
ASSETS	
Cash	\$ 81,657
Total Assets	<u>\$ 81,657</u>
LIABILITIES AND NET POSITION	
County Fund	\$ 81,657
Net Position	<u>-</u>
Total Liabilities and Net Position	<u>\$ 81,657</u>

DRAFT

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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—invested in capital assets, net of related debt; and unrestricted net position.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014**

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, 2014**

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, 2014**

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, 2014, are as follows:

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Fund</u>	<u>Total</u>
Interest Bearing Accounts	\$ 1,875,797	\$ 15,807	\$ 379,718	\$ 2,271,322
Petty Cash	50	-	-	50
TOTAL	<u>\$ 1,875,847</u>	<u>\$ 15,807</u>	<u>\$ 379,718</u>	<u>\$ 2,271,372</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, 2014 were entirely covered by federal depository insurance 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, 2014**

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:

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 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 \$6,634 assigned for specific purposes through the issuance of purchase orders that encumbered the budget for the year ended December 31, 2014. The assignment is made when purchase orders are approved by the purchasing agent who is designated by the Board of Directors 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, 2014**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

D. Equity Classifications (Continued)

3. Funds Statements

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 & Equipment	\$ 1,000	Straight Line	5-10 Years
Vehicles	1,000	Straight Line	5-8 Years
Buildings & 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, 2014**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

H. 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.

I. 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.

J. Pension Plans

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

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

J. Pension Plans (Continued)

The System is noncontributory, except for employees who joined the System after July 27, 1976, who contribute 3% of their salary, except that employees in the System 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 annual payroll for the year. The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>NYSERS</u>
2014	\$ 98,935
2013	135,496
2012	96,233

K. 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 System's future cash flows. Recognition of the liability will be phased in over 30 years.

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, 2014, the Library System recognized \$158,006 for its share of insurance premiums for currently enrolled retirees.

The Library System has obtained an actuarial valuation report as of December 31, 2014, which indicates the total liability for other post-employment benefits is \$575,987, which is reflected in the Statement of Net Position.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

K. Other Post-Employment Benefits (Continued)

Annual Other Postemployment Benefit Cost

The System's OPEB Cost (net expense) amounted to \$427,957 for the year ended December 31, 2014. 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	\$ 4,233,942
Total Actuarial Accrued Liability	<u><u>\$ 4,233,942</u></u>
Annual Required Contribution (ARC)	<u><u>\$ 433,547</u></u>
Net OPEB Obligation - beginning of the year	\$ 375,085
Annual Required Contribution (ARC)	433,547
Interest on Net OPEB obligation	4,689
Adjustment to Annual Required Contribution	(10,279)
Annual OPEB cost	427,957
Actual Employer Contributions*	(227,055)
Increase in Net OPEB Obligation	200,902
Net OPEB Obligation - end of the year	<u><u>\$ 575,987</u></u>
Percent of annual OPEB cost contributed	53.06%

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

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.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

K. Other Post-Employment Benefits (Continued)

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, 2013

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 period at December 31, 2014 is 26 years.

L. 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.

M. 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.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014**

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, 2014 are as follows:

Original Cost of Capital Assets	\$ 677,906
Accumulated Depreciation	<u>(511,497)</u>
Capital Assets, Net	<u><u>\$ 166,409</u></u>

ii) 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 \$70,996, which represents accumulated unpaid compensated absences at year end.

iii) 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 \$575,987, which represents accumulated other post-employment benefits at year end.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014**

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

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.

iii) 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 THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014**

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 \$ 3,033,126

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 \$1,051

1,051

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 \$98,275 exceeded depreciation of \$4,032 in the current fiscal year.

(94,243)

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 amounts by which the ARC exceeded the amount of financial resources used during the year.

200,902

Total expenditures in the Statement of Activities

\$ 3,140,836

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014**

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	\$ 2,396,651

NOTE D – Capital Assets

Capital asset balances and activity for the year ended December 31, 2014 were as follows:

	BALANCE JANUARY 1, 2014	ADDITIONS	(DISPOSALS)	BALANCE DECEMBER 31, 2014
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Building	218,253	92,182	-	310,435
Equipment, Furniture and Fixtures	351,378	6,093	-	357,471
Total	579,631	98,275	-	677,906
Less: Accumulated Depreciation:	(507,465)	(4,032)	-	(511,497)
Capital Assets, Net	\$ 72,166	\$ 94,243	\$ -	\$ 166,409

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014**

NOTE E – Long-Term Debt

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

	Beginning Balance	Issued	Paid/ Redeemed	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 69,946	\$ 1,051	\$ -	\$ 70,997	\$ -
Other Postemployment Benefits	375,084	200,902	-	575,986	-
Total Long-Term Liabilities	<u>\$ 445,030</u>	<u>\$ 201,953</u>	<u>\$ -</u>	<u>\$ 646,983</u>	<u>\$ -</u>

NOTE F – Commitments

1. Operating Lease

Total expenditures on the Copier leases for the year ended December 31, 2014 were \$16,472. 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:

Year Ending December 31,	Amount
2015	\$ 3,692
2016	3,692
2017	3,692
	<u>\$ 11,076</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.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014**

NOTE G – Fiduciary Fund

County Fund

During 2014, 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 of Funds:

Ulster County	\$ 81,657
Columbia County	-
Town of Union Vale	-
	<u>\$ 81,657</u>

NOTE H – Interfund Balances and Activity

Interfund balances and activity for the year ended December 31, 2014 were as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ -	\$ -	\$ 15,881	\$ 53,500
Capital Fund	-	-	53,500	15,881
Special Aid Fund	-	-	-	-
Total Governmental Activities	-	-	69,381	69,381
Fiduciary Agency Fund	-	-	-	-
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,381</u>	<u>\$ 69,381</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 the expenditures which the Library System is expecting to receive funds from New York State as reimbursement.

NOTE I – New Reporting Standards

GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. When implemented, this Statement will require the recording of the Library System's proportional share of the collective net pension liability of the NYS Local Government Employees' Retirement System. The Library System is required to implement this standard for the year ending December 31, 2015. This implementation is expected to have a substantive effect on the Library System's net position.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014**

NOTE I – New Reporting Standards (Continued)

GASB has also issued Statements 69 through 72, none of which are expected to have any substantive effects on the Library System's net position.

NOTE J – Subsequent Events

Management has evaluated subsequent events through April 6, 2015, 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.

DRAFT

REQUIRED SUPPLEMENTAL INFORMATION

DRAFT

EXHIBIT I

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	GENERAL FUND			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE
	BUDGET	BUDGET		(UNFAVORABLE)
REVENUES				
LOCAL SOURCES				
Library Charges	\$ 761,616	\$ 844,067	\$ 817,366	\$ (26,701)
Use of Money & Property	4,600	3,600	4,761	1,161
Miscellaneous	64,750	61,450	66,237	4,787
STATE SOURCES	2,164,998	2,221,374	2,221,374	-
Total Revenues	2,991,364	3,130,491	3,109,738	(20,753)
EXPENDITURES				
SALARIES	893,169	883,898	876,230	7,668
EQUIPMENT & CAPITAL OUTLAY	12,500	14,469	9,083	5,386
CONTRACTUAL EXPENDITURES				
Books	191,165	267,971	257,800	10,171
Grants	450,091	505,612	502,341	3,271
Operations & Maintenance	152,395	208,079	205,912	2,167
Other Contractual	671,597	655,025	642,979	12,046
EMPLOYEE BENEFITS				
State Retirement System	132,382	123,755	123,080	675
Social Security	68,314	67,605	64,398	3,207
Workers Compensation	11,500	14,580	14,580	-
Unemployment Insurance	3,900	820	-	820
Disability Insurance	500	527	527	-
Medical Insurance	339,092	296,475	291,905	4,570
Total expenditures	2,926,605	3,038,816	2,988,835	49,981
OTHER USES				
Operating Transfers In	-	-	15,881	15,881
Operating Transfers Out	(53,600)	(53,600)	(53,500)	100
Total Other Uses	(53,600)	(53,600)	(37,619)	15,981
Excess of Revenues and Other Sources Over Expenditures				
	\$ 11,159	\$ 38,075	\$ 83,284	\$ 45,209

**MID-HUDSON LIBRARY SYSTEM
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2014**

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

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