

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

DRAFT

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POUGHKEEPSIE, NEW YORK
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund information of the Mid-Hudson Library System as of and for the year ended December 31, 2015, and the related Notes to the Financial Statements, which collectively comprise the Library System's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund information of the Mid-Hudson Library System as of and for the year ended December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note I to the financial statements, in 2015, Mid-Hudson Library System adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 2*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedule of Funding Progress for Other Post-Employment Benefits Plan, Schedule of the Proportionate Share of the Net Pension Liability, and Schedule of Pension Contributions on pages 5-13, 41, 42, 43, and 44, be presented to supplement the basic financial statements. Such information, though not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated April 15, 2016, on our consideration of Mid-Hudson Library System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mid-Hudson Library System's internal control over financial reporting and compliance.

Poughkeepsie, New York
April 15, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund information of the Mid-Hudson Library System as of and for the year ended December 31, 2015, and the related Notes to the Financial Statements, which collectively comprise the Library System's basic financial statements, and have issued our report thereon dated April 15, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Poughkeepsie, New York
April 15, 2016

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**Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2015
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, 2015. 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 auditors' report which precedes Management's Discussion and Analysis.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Library System's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Library System's overall status. Financial reporting at this level uses a perspective 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 14 and 15 of this report.

**Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2015
Un-audited (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 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 16 and 18 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 20 of this report.

**Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2015
Un-audited (Continued)**

NOTES TO THE FINANCIAL STATEMENTS

The accompanying Notes to the Financial Statements provide information essential to a full understanding of the government-wide and fund financial statements. The Notes to the Financial Statements begin on page 21 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 41.

FINANCIAL ANALYSIS OF THE LIBRARY SYSTEM AS A WHOLE

The Library System's net position at December 31, 2015 and December 31, 2014, are \$1,753,709 and \$1,804,793, respectively. The following table provides a summary of the Library System's net position:

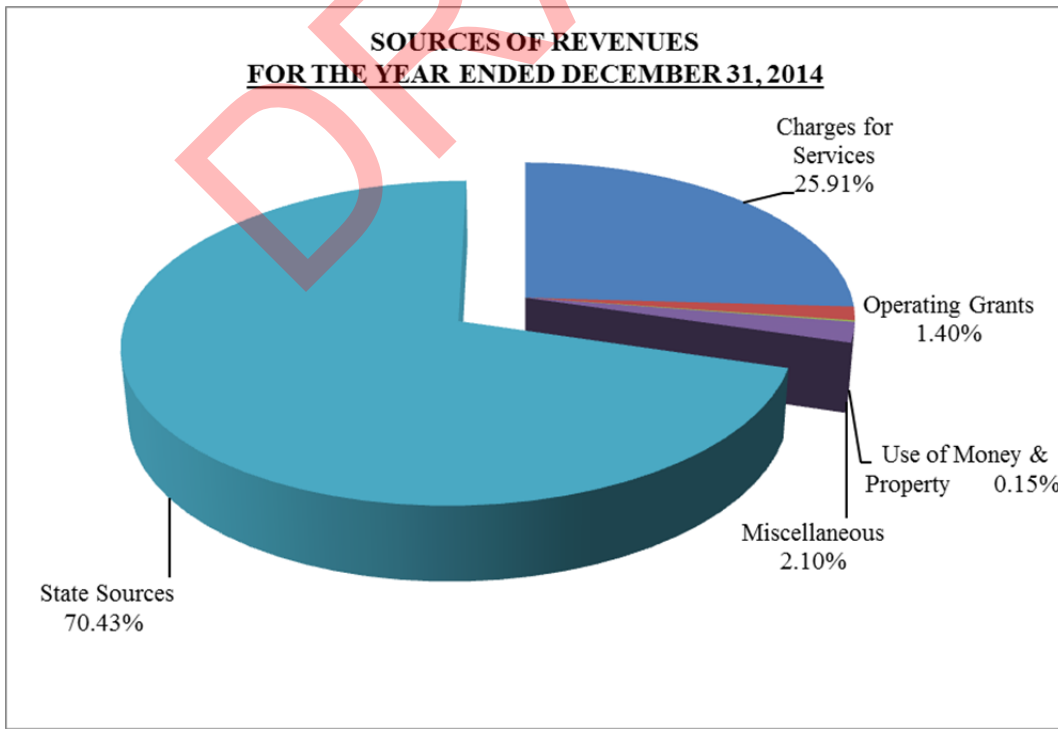
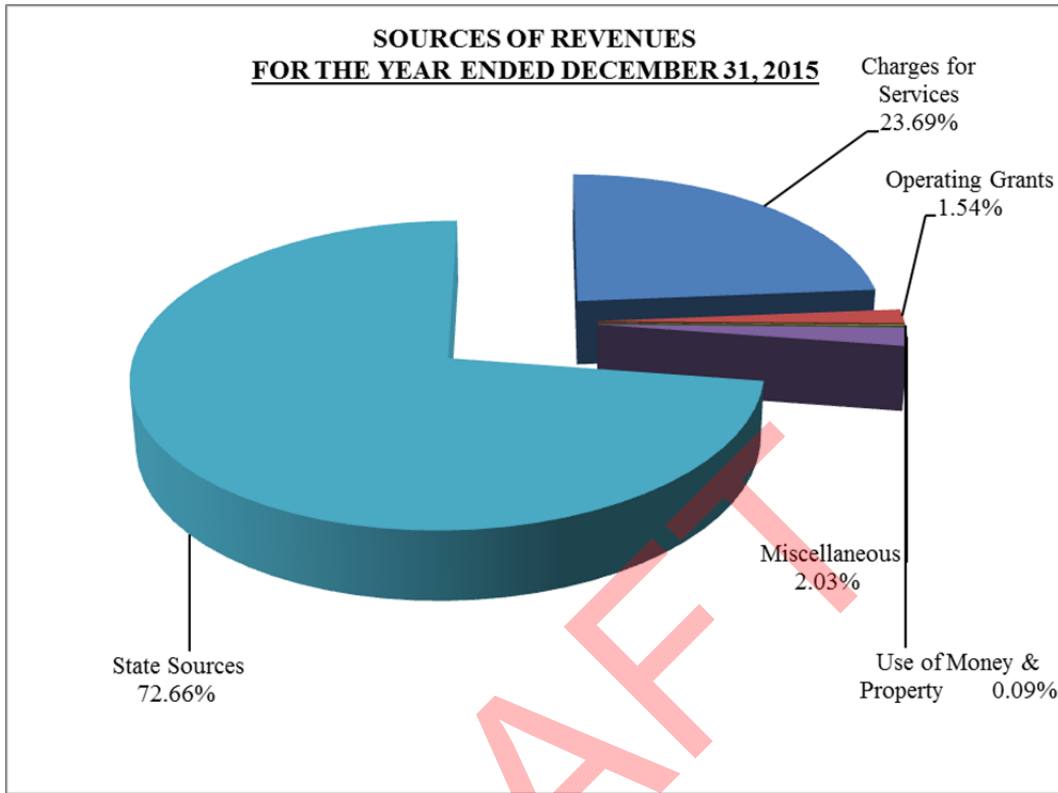
	Summary of Net Assets		
	2015	2014	Change
Assets:			
Current Assets	\$ 2,496,332	\$ 2,318,547	\$ 177,785
Capital Assets	215,392	166,409	48,983
Total Assets	2,711,724	2,484,956	226,768
Deferred Outflows of Resources:	136,319	90,770	45,549
Total Assets and Deferred Outflows of Resources:	\$ 2,848,043	\$ 2,575,726	\$ 272,317
Liabilities			
Current Liabilities	\$ 198,093	\$ 123,950	\$ 74,143
Long-Term Liabilities	849,359	646,983	202,376
Total Liabilities	1,047,452	770,933	\$ 276,519
Deferred Inflows of Resources:	46,882	-	46,882
Invested in Capital Assets, Net of Related Debt	215,392	166,409	48,983
Unrestricted	1,538,317	1,638,384	(100,067)
Total Net Position	1,753,709	1,804,793	(51,084)
Total Liabilities and Net Position	\$ 2,848,043	\$ 2,575,726	\$ 272,317

Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2015
Un-audited (Continued)

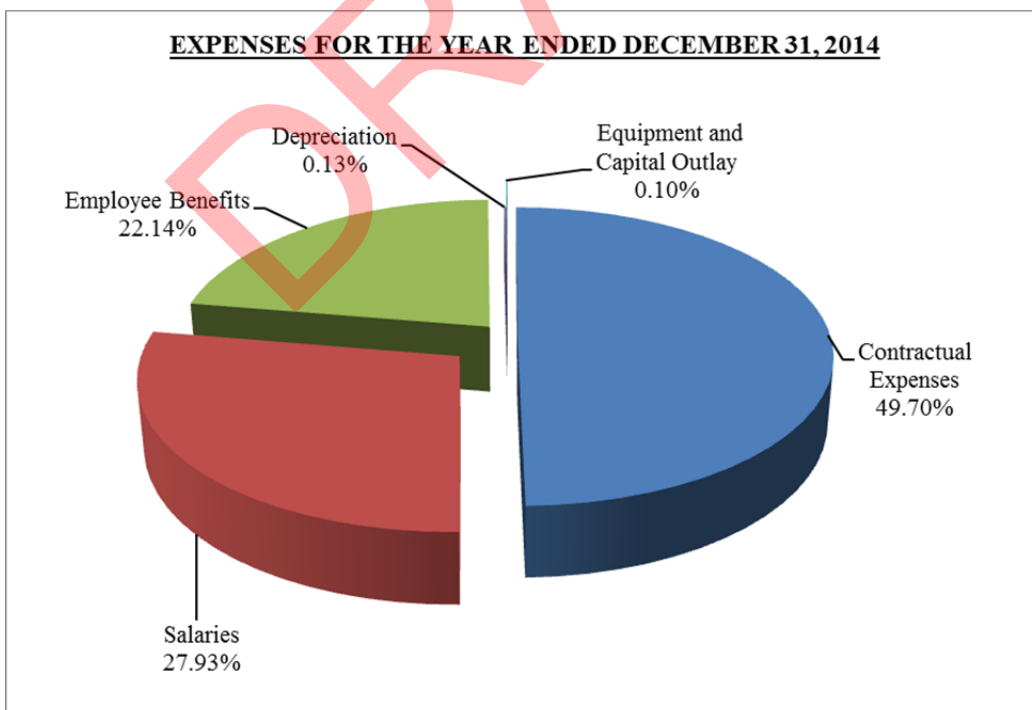
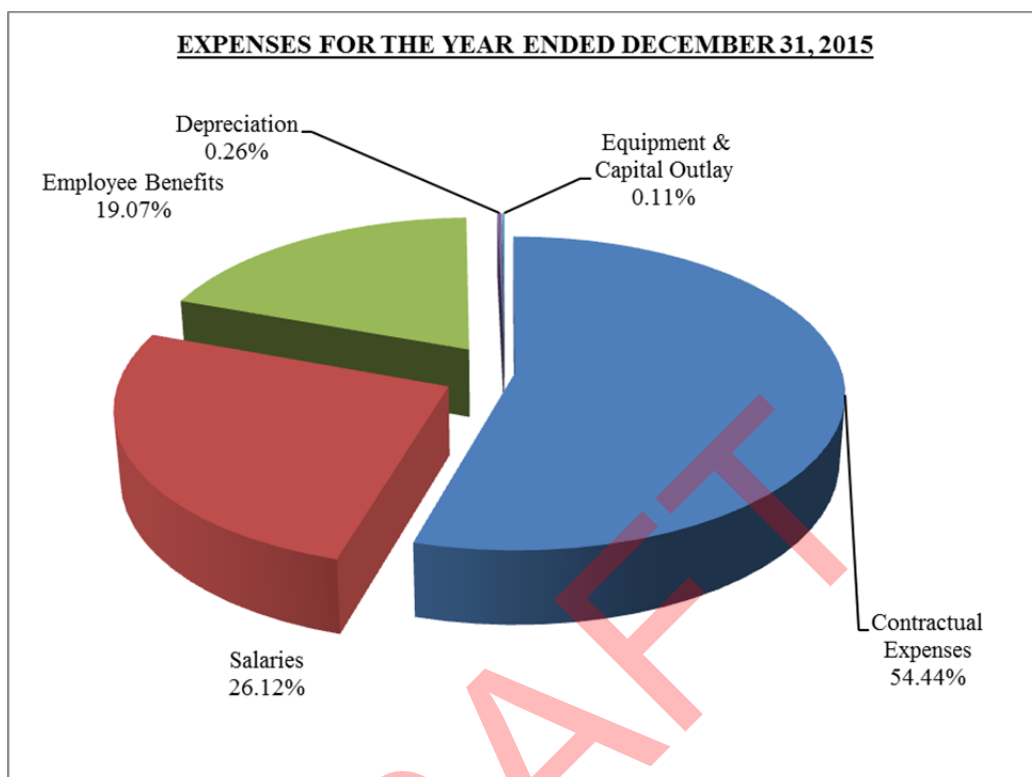
During the 2015 year, the net position decreased by \$51,084. The following table and supporting graphs provides a summary of revenues, expenses, and changes in net position for the years ended December 31, 2015 and December 31, 2014:

Revenues	Governmental Activities		
	2015	2014	Change
Program Revenues			
Charges for Services	\$ 839,778	\$ 817,366	\$ 22,412
Operating Grants	54,497	44,292	10,205
General Revenues			
Use of Money and Property	3,157	4,849	(1,692)
Miscellaneous	71,880	66,237	5,643
State Sources	2,576,221	2,221,374	354,847
Total Revenues	<u>3,545,533</u>	<u>3,154,118</u>	<u>391,415</u>
Expenses			
Salaries	918,259	877,281	40,978
Employee Benefits	742,797	695,392	47,405
Equipment and Capital Outlay	4,028	2,990	1,038
Depreciation	9,154	4,032	5,122
Contractual Expenses	1,922,379	1,561,141	361,238
Total Expenses	<u>3,596,617</u>	<u>3,140,836</u>	<u>40,978</u>
Change in Net Position	<u>\$ (51,084)</u>	<u>\$ 13,282</u>	<u>\$ (64,366)</u>

**Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2015
Un-audited (Continued)**



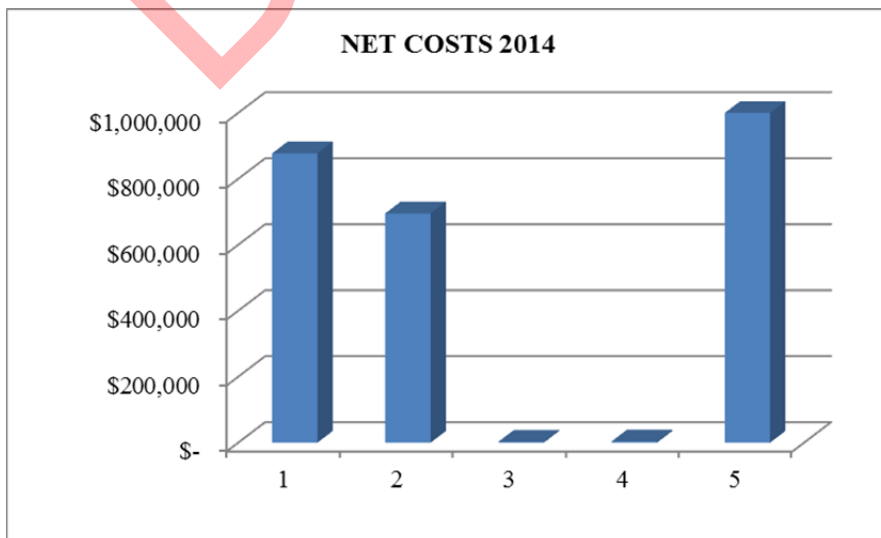
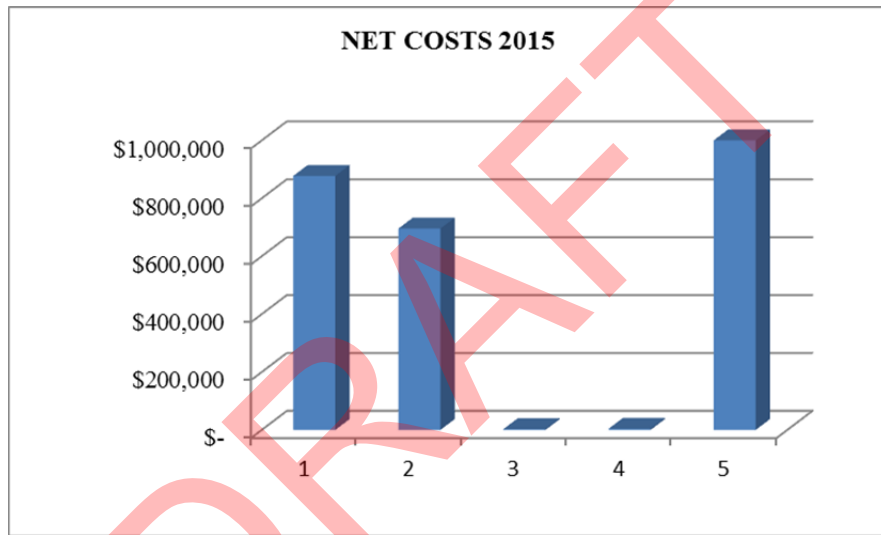
**Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2015
Un-audited (Continued)**



**Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2015
Un-audited (Continued)**

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

		TOTAL COST OF SERVICES 2015	NET COST OF SERVICES 2015	TOTAL COST OF SERVICES 2014	NET COST OF SERVICES 2014
Salaries	1	\$ 918,259	\$ 918,259	\$ 877,281	\$ 877,281
Employee Benefits	2	672,358	672,358	695,392	695,392
Equipment and Capital Outlay	3	4,028	4,028	2,990	2,990
Depreciation	4	9,154	9,154	4,032	4,032
Contractual Expenses	5	1,922,379	1,922,379	1,561,141	1,561,141
		<u>\$ 3,526,178</u>	<u>\$ 3,526,178</u>	<u>\$ 3,140,836</u>	<u>\$ 3,140,836</u>



**Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2015
Un-audited (Continued)**

FINANCIAL ANALYSIS OF THE LIBRARY SYSTEM FUNDS

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

	December 31, 2015			
	Nonspendable	Restricted	Assigned	Unassigned
General Fund	\$ 100,975	\$ -	\$ 1,893	\$ 1,889,613
Capital Fund	-	-	441,527	-
Special	-	-	-	(1,741)

	December 31, 2014			
	Nonspendable	Restricted	Assigned	Unassigned
General Fund	\$ 90,770	\$ -	\$ 6,634	\$ 1,809,986
Capital Fund	-	-	379,718	-
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 \$343,214.

In reviewing the actual results of operations for the General Fund for the year ended December 31, 2015, as compared to the adjusted budget, you will find expenditures were \$24,421 under budget. Other Contractual and Books were under budget by \$7,008 and \$4,976, 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 2016 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, 2015
Un-audited (Continued)**

Capital Assets

The Library System's investment in capital assets, net of accumulated depreciation, as of December 31, 2015 was \$215,392. The Library System's investment in capital assets, net of accumulated depreciation, as of December 31, 2014 was \$166,409. This is an increase of \$48,983, 29.44% (see below). The capital assets include land, buildings, and equipment. The Library's depreciation expense for the year was \$9,154.

**CAPITAL ASSETS
Net of Accumulated Depreciation**

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
<u>Non-Depreciable Assets</u>			
Land	\$ 10,000	\$ 10,000	0.00%
<u>Depreciable Assets</u>			
Buildings	189,292	148,387	27.57%
Equipment, Furniture and Fixtures	<u>16,100</u>	<u>8,022</u>	100.70%
Total	<u><u>\$ 215,392</u></u>	<u><u>\$ 166,409</u></u>	29.44%

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, 2015**

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,399,254
State and Federal Aid Receivable	4,414
Accounts Receivable	20,350
Prepaid Expenditures	72,314
Total Current Assets	<u>2,496,332</u>
Capital Assets:	
Land	10,000
Buildings, Machinery and Equipment, Net of Depreciation	205,392
Total Capital Assets	<u>215,392</u>
Total Assets	<u>2,711,724</u>
DEFERRED OUTFLOW OF RESOURCES	
Employee Retirement System	136,319
Total Deferred Outflow of Resources	<u>136,319</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 2,848,043</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 46,192
Accrued Expenditures	13,978
Due to Employee Retirement System	105,367
Unearned Revenue	32,556
Total Current Liabilities	<u>198,093</u>
Long Term Liabilities:	
Compensated Absences Payable	79,912
Other Post Employment Benefits	769,447
Total Long Term Liabilities	<u>849,359</u>
Total Liabilities	<u>1,047,452</u>
DEFERRED INFLOW OF RESOURCES	
Employee Retirement System	46,882
Total Deferred Inflow of Resources	<u>46,882</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	215,392
Unrestricted	1,538,317
Total Net Position	<u>1,753,709</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	<u><u>\$ 2,848,043</u></u>

See Independent Auditors' Report.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015**

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	\$ (1,590,617)	\$ -	\$ -	\$ (1,590,617)
Equipment & Capital Outlay	(13,182)	-	-	(13,182)
Contractual Expenditures	<u>(1,922,379)</u>	<u>839,778</u>	<u>54,497</u>	<u>(1,028,104)</u>
Total governmental activities	<u>\$ (3,526,178)</u>	<u>\$ 839,778</u>	<u>\$ 54,497</u>	<u>(2,631,903)</u>
General Revenues				
Use of Money & Property				3,157
Miscellaneous				71,880
State Sources				<u>2,576,221</u>
Total General Revenues				<u>2,651,258</u>
Change in Net Position				19,355
Net Position at Beginning of Year				1,804,793
Implementation of GASB 68 Adjustment				<u>(70,439)</u>
Net Position at Beginning of Year, Restated				<u>1,734,354</u>
Net Position at End of Year				<u><u>\$ 1,753,709</u></u>

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	GENERAL FUND	CAPITAL FUND	SPECIAL AID FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 1,940,900	\$ 441,527	\$ 16,827	\$ 2,399,254
State & Federal Aid Receivable	4,414	-	-	4,414
Accounts Receivable	20,350	-	-	20,350
Prepaid Expenditures	100,975	-	-	100,975
Total Assets	\$ 2,066,639	\$ 441,527	\$ 16,827	\$ 2,524,993
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 46,192	\$ -	\$ -	\$ 46,192
Accrued Expenditures	13,978	-	-	13,978
Unearned Revenue	13,988	-	18,568	32,556
Total Liabilities	74,158	-	18,568	92,726
FUND EQUITY				
Fund balance (deficit):				
Nonspendable:				
Prepaid Expenditures	100,975	-	-	100,975
Assigned:				
Reserve for Encumbrances	1,893	-	-	1,893
Capital	-	441,527	-	441,527
Unassigned	1,889,613	-	(1,741)	1,887,872
Total Fund Equity	1,992,481	441,527	(1,741)	2,432,267
Total Liabilities and Fund Equity	\$ 2,066,639	\$ 441,527	\$ 16,827	\$ 2,524,993

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS & LIABILITIES	RECLASSIFI- CATIONS & ELIMINATIONS	STATEMENT OF NET POSITION
ASSETS				
Cash and Cash Equivalents	\$ 2,399,254	\$ -	\$ -	\$ 2,399,254
State and Federal Aid Receivable	4,414	-	-	4,414
Accounts Receivable	20,350			20,350
Capital Assets, Net	-	215,392	-	215,392
Prepaid Expenditures	100,975	-	(28,661)	72,314
TOTAL ASSETS	2,524,993	215,392	(28,661)	2,711,724
DEFERRED OUTFLOWS OF RESOURCES	-	136,319	-	136,319
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 2,524,993	\$ 351,711	\$ (28,661)	\$ 2,848,043
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 46,192	\$ -	\$ -	\$ 46,192
Accrued Expenditures	13,978	-	-	13,978
Due to Employee Retirement System	-	105,367	-	105,367
Compensated Absences Payable	-	79,912	-	79,912
Other Postemployment Benefits	-	769,447	-	769,447
Unearned Revenue	32,556	-	-	32,556
Total Liabilities	92,726	954,726	-	1,047,452
DEFERRED INFLOWS OF RESOURCES	-	46,882	-	46,882
FUND BALANCES/NET POSITION	2,432,267	(649,897)	(28,661)	1,753,709
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION	\$ 2,524,993	\$ 351,711	\$ (28,661)	\$ 2,848,043

See Independent Auditors' Report.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	GENERAL FUND	CAPITAL FUND	SPECIAL AID FUND	TOTAL FUNDS
REVENUES				
Charges for Services	\$ 839,778	\$ -	\$ -	\$ 839,778
Use of Money and Property	2,992	165	-	3,157
Miscellaneous	71,880	-	-	71,880
State Source	2,576,221	-	54,497	2,630,718
Total Revenues	3,490,871	165	54,497	3,545,533
EXPENDITURES				
Salaries	909,343	-	-	909,343
Equipment & Capital Outlay	17,813	-	-	17,813
Contractual Expenditures	1,897,227	15,006	54,497	1,966,730
Employee Benefits	504,747	-	-	504,747
Total Expenditures	3,329,130	15,006	54,497	3,398,633
Excess of Revenues Over (Expenditures)	161,741	(14,841)	-	146,900
OTHER SOURCES & USES				
Operating Transfers In	10,000	86,650	-	96,650
Operating Transfers Out	(86,650)	(10,000)	-	(96,650)
Total Other Sources & Uses	(76,650)	76,650	-	-
Excess of Revenues & Other Sources Over Expenditures & Other Uses	85,091	61,809	-	146,900
Fund Equity, January 1, 2015	1,907,390	379,718	(1,741)	2,285,367
Fund Equity, December 31, 2015	\$ 1,992,481	\$ 441,527	\$ (1,741)	\$ 2,432,267

**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, 2015**

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE & EXPENSES	CAPITAL RELATED ITEMS	RECLASSIFI- CATIONS & ELIMINATIONS	STATEMENT OF ACTIVITIES
REVENUES					
Charges for Services	\$ 839,778	\$ -	\$ -	\$ -	\$ 839,778
Use of Money & Property	3,157	-	-	-	3,157
Miscellaneous	71,880	-	-	-	71,880
State Sources	2,630,718	-	-	-	2,630,718
Total Revenues	3,545,533	-	-	-	3,545,533
EXPENDITURES					
Salaries	909,343	8,916	-	672,358	1,590,617
Equipment & Capital Outlay	17,813	-	53,505	(58,136)	13,182
Contractual Expenditures	1,966,730	-	-	(44,351)	1,922,379
Employee Benefits	504,747	167,611	-	(672,358)	-
Total Expenditures	3,398,633	176,527	53,505	(102,487)	3,526,178
Excess (Deficiency) of Revenue Over Expenditures	146,900	(176,527)	(53,505)	102,487	19,355
OTHER SOURCES & USES					
Operating Transfers In	96,650	-	-	-	96,650
Operating Transfers Out	(96,650)	-	-	-	(96,650)
Total Other Sources & Uses	-	-	-	-	-
INCREASE (DECREASE) FOR THE YEAR	\$ 146,900	\$ (176,527)	\$ (53,505)	\$ 102,487	\$ 19,355

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2015**

	<u>TRUST AND AGENCY</u>
ASSETS	
Cash	\$ 67,339
Total Assets	<u>\$ 67,339</u>
LIABILITIES AND NET POSITION	
County Fund	\$ 67,339
Net Position	<u>-</u>
Total Liabilities and Net Position	<u>\$ 67,339</u>

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015**

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, 2015**

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, 2015**

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, 2015, are as follows:

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Fund</u>	<u>Total</u>
Interest Bearing Accounts	\$ 1,940,850	\$ 16,827	\$ 441,527	\$ 2,399,204
Petty Cash	50	-	-	50
TOTAL	<u>\$ 1,940,900</u>	<u>\$ 16,827</u>	<u>\$ 441,527</u>	<u>\$ 2,399,254</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, 2015 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, 2015**

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 \$1,893 assigned for specific purposes through the issuance of purchase orders that encumbered the budget for the year ended December 31, 2015. 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, 2015**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

D. Equity Classifications (Continued)

2. Funds Statements (Continued)

Unassigned fund balance represents the residual classification for the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or unassigned.

E. Accounts Receivable

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

F. Capital Assets

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Furniture, Fixtures & 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, 2015**

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

a. Plan Description

The Library System is required to participate in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan System (Systems). These are cost-sharing multiple-employer retirement systems. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

J. Pension Plans (Continued)

b. Funding Policy

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

The Library System is required to contribute to the System at an actuarially determined rate. The required contributions for the current and prior two calendar years were \$109,484, \$113,240, and \$148,932, respectively. The Library System's contributions made to the System were equal to 100% of the contributions required for those years.

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

At December 31, 2015, the Library System reported a liability of \$105,367 for its proportionate share of the net pension liability. This amount is recorded as a long-term liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library System's proportion of the net pension liability was based on a projection of the Library System's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2015, the Library System's proportion was .0031189 percent of the Employers' Retirement System liability which is the initial determination as this is the first year of implementation of GASB 68, see Note I.

For the year ended December 31, 2015, the Library System recognized pension expense of \$83,636. At December 31, 2015, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,373	\$ -
Changes of Assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	18,301	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	46,882
Employer contributions subsequent to the measurement date	114,645	-
Total	<u>\$ 136,319</u>	<u>\$ 46,882</u>

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

J. Pension Plans (Continued)

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

\$136,319 reported as deferred outflows of resources related to pensions resulting from the Library System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred inflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2016	\$	(6,302)
2017	\$	(6,302)
2018	\$	(6,302)
2019	\$	(6,302)

Actuarial Assumptions

The total pension liability at March 31, 2015, was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015.

The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2014, valuation were as follows:

Inflation	2.7%
Salary increases - ERS	4.9%
Investment rate of return (net of investment expense, including inflation)	7.5%

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

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

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

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

J. Pension Plans (Continued)

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

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	7.30%
International equity	8.55
Private equity	11.00
Real estate	8.25
Absolute return strategies	6.75
Opportunistic portfolio	8.60
Real assets	8.65
Bonds and mortgages	4.00
Cash	2.25
Inflation-indexed bonds	4.00

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

J. Pension Plans (Continued)

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

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

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Agency's proportionate share of the net ERS pension liability	\$ 702,307	\$ 105,366	\$ (398,601)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2015, were as follows:

	Dollars in Thousands
	Employees' Retirement System
Employers' total pension liability	\$ 164,591,504
Plan net position	(161,213,259)
Employers' net pension liability	\$ 3,378,245

Ratio of plan net position to the employers' total pension liability	97.9%
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**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

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, 2015, the Library System recognized \$161,000 for its share of insurance premiums for currently enrolled retirees.

The Library System has obtained an actuarial valuation report as of December 31, 2015, which indicates the total liability for other post-employment benefits is \$769,447, which is reflected in the Statement of Net Position.

Annual Other Postemployment Benefit Cost

The System's OPEB Cost (net expense) amounted to \$424,962 for the year ended December 31, 2015. 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	\$ 575,987
Annual Required Contribution (ARC)	433,547
Interest on Net OPEB Obligation	7,200
Adjustment to Annual Required Contribution	(15,785)
Annual OPEB Cost	424,962
Actual Employer Contributions*	(231,503)
Increase in Net OPEB Obligation	193,459
Net OPEB Obligation - end of the year	<u><u>\$ 769,447</u></u>
Percent of Annual OPEB Cost Contributed	54.48%

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

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

K. Other Post-Employment Benefits (Continued)

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following assumptions were made:

Valuation Date: December 31, 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, 2015 is 25 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.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

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.

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, 2015 are as follows:

Original Cost of Capital Assets	\$ 736,041
Accumulated Depreciation	<u>(520,649)</u>
Capital Assets, Net	<u><u>\$ 215,392</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 \$79,912, 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 \$769,447, 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, 2015**

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, 2015**

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 \$ 3,398,633

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 \$8,916

8,916

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 \$58,136 exceeded depreciation of \$9,154 in the current fiscal year.

(48,982)

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.

167,611

Total Expenditures in the Statement of Activities \$ 3,526,178

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015**

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	<u>\$ -</u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Library System's name	<u>\$ 2,526,889</u>

NOTE D – Capital Assets

Capital asset balances and activity for the year ended December 31, 2015 were as follows:

	BALANCE JANUARY 1, 2015	ADDITIONS	(DISPOSALS)	BALANCE DECEMBER 31, 2015
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Building	310,435	47,206	-	357,641
Equipment, Furniture and Fixtures	357,471	10,930	-	368,401
Total	<u>677,906</u>	<u>58,136</u>	<u>-</u>	<u>736,042</u>
Less: Accumulated Depreciation:	<u>(511,497)</u>	<u>(9,153)</u>	<u>-</u>	<u>(520,650)</u>
Capital Assets, Net	<u>\$ 166,409</u>	<u>\$ 48,983</u>	<u>\$ -</u>	<u>\$ 215,392</u>

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015**

NOTE E – Long-Term Debt

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

	Balance January 1, 2015	Issued	Paid/ Redeemed	Balance December 31, 2015	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 70,997	\$ 8,915	\$ -	\$ 79,912	\$ -
Other Postemployment Benefits	575,986	193,461	-	769,447	-
Total Long-Term Liabilities	<u>\$ 646,983</u>	<u>\$ 202,376</u>	<u>\$ -</u>	<u>\$ 849,359</u>	<u>\$ -</u>

NOTE F – Commitments

1. Operating Lease

Total expenditures on the Copier leases for the year ended December 31, 2015 were \$7,177. The Library System's lease on their Xerox Copier expired during the fiscal year, and then entered into a new lease with the Toshiba Corporation. The maximum future non-cancelable operating lease payments are as follows:

Year Ending December 31,	Amount
2016	\$ 3,692
2017	3,692
	<u>\$ 7,384</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, 2015**

NOTE G – Fiduciary Fund

County Fund

During 2015, Ulster County used the Library System to distribute funds to libraries in their respective counties. These funds are neither revenue nor expense to the Library System. The following is a breakdown of Funds:

Ulster County	\$ 67,339
	<u>\$ 67,339</u>

NOTE H – Interfund Balances and Activity

Interfund balances and activity for the year ended December 31, 2015 were as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ -	\$ -	\$ 10,000	\$ 86,650
Capital Fund	-	-	86,650	10,000
Special Aid Fund	-	-	-	-
Total Governmental Activities	-	-	96,650	96,650
Fiduciary Agency Fund	-	-	-	-
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,650</u>	<u>\$ 96,650</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.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015**

NOTE I – Implementation of GASB 68

In June 2012, GASB issued Statement 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 2*. This Statement requires the recording of the Library System's proportional share of the collective net pension liability of the New York State & Local Retirement System. The Library System implemented this standard for the year ending December 31, 2015, the first year proportional share information was available. Therefore, no adjustments have been made to December 31, 2014, financial statements. The substantive effects are summarized in the table below:

<u>Account Description</u>	<u>Change Due to GASB 68 Implementation</u>
Net Position, January 1 - Decrease	\$ 70,439
Net Employee Retirement System Liability - Increase	105,367
Employee Retirement Benefits Expense - Decrease	25,848
Deferred Outflows - Employee Retirement System - Increase	136,319
Deferred Inflows - Employee Retirement System - Increase	46,882

NOTE J – New Reporting Standards

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

GASB has also issued Statements 69-74 and 76-80, none of which are expected to have any substantive effects on the Library System's Net Position.

NOTE K – Subsequent Events

Management has evaluated subsequent events through April 15, 2016, 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.

REQUIRED SUPPLEMENTAL INFORMATION

DRAFT

EXHIBIT I

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	GENERAL FUND			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE
	BUDGET	BUDGET		(UNFAVORABLE)
REVENUES				
LOCAL SOURCES				
Charges for Services	\$ 834,001	\$ 834,001	\$ 839,778	\$ 5,777
Use of Money & Property	1,100	1,100	2,992	1,892
Miscellaneous	60,931	60,931	71,880	10,949
STATE SOURCES	2,190,858	2,575,464	2,576,221	757
Total Revenues	3,086,890	3,471,496	3,490,871	19,375
EXPENDITURES				
SALARIES	934,234	910,246	909,343	903
EQUIPMENT & CAPITAL OUTLAY	4,700	17,719	17,813	(94)
CONTRACTUAL EXPENDITURES				
Books	257,765	272,062	267,086	4,976
Grants	484,557	755,237	752,821	2,416
Operations & Maintenance	163,923	206,110	203,996	2,114
Other Contractual	648,934	680,332	673,324	7,008
EMPLOYEE BENEFITS				
State Retirement System	119,060	120,593	119,629	964
Social Security	71,455	68,755	67,218	1,537
Workers Compensation	13,340	13,340	12,726	614
Unemployment Insurance	3,900	3,900	-	3,900
Disability Insurance	500	500	522	(22)
Medical Insurance	307,972	304,760	304,652	108
Total Expenditures	3,010,340	3,353,554	3,329,130	24,424
OTHER USES				
Operating Transfers In	10,000	10,000	10,000	-
Operating Transfers Out	(86,550)	(86,550)	(86,550)	-
Total Other Uses	(76,550)	(76,550)	(76,550)	-
Excess of Revenues and Other Sources Over Expenditures	\$ -	\$ 41,392	\$ 85,191	\$ 43,799

**MID-HUDSON LIBRARY SYSTEM
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2015**

<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>
12/31/2015	12/31/2013	\$ -	\$ 4,233,942	\$ 4,233,942	0.0%	\$ 936,277	452.21%
12/31/2014	12/31/2013	\$ -	\$ 4,233,942	\$ 4,233,942	0.0%	\$ 876,230	483.20%
12/31/2013	12/31/2013	\$ -	\$ 4,233,942	\$ 4,233,942	0.0%	\$ 853,935	495.82%

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**MID-HUDSON LIBRARY SYSTEM
SCHEDULE OF PROPORTIONAL SHARE
OF NET PENSION LIABILITY
DECEMBER 31, 2015**

NYSLRS Pension Plan
Last 10 Fiscal Years*
(Dollar amounts in thousands)

March 31, 2015

Agency's proportion of the net pension liability (asset)	0.00311890%
Agency's proportionate share of the net pension liability (asset)	\$ 105,366
Agency's covered-employee payroll	\$ 909,343
Agency's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.59%
Agency plan fiduciary net position as a percentage of the total pension liability	97.90%

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

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

**MID-HUDSON LIBRARY SYSTEM
SCHEDULE OF PENSION CONTRIBUTIONS
DECEMBER 31, 2015**

NYSLRS Pension Plan
Last 10 Fiscal Years*
(Dollar amounts in thousands)

	<u>March 31, 2015</u>
Contractually required contribution	\$ 94,003
Contributions in relation to the contractually required contribution	<u>94,003</u>
Contribution deficiency (excess)	<u>\$ -</u>
Agency's covered-employee payroll	\$ 909,343
Contributions as a percentage of covered-employee payroll	10.34%

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

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