

ANNUAL FINANCIAL REPORT

MID-HUDSON LIBRARY SYSTEM

December 31, 2017

Audited for:

Board of Trustees

MID-HUDSON LIBRARY SYSTEM

DRAFT

Audited By:

RBT CPAs, LLP

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MID-HUDSON LIBRARY SYSTEM

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LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund information of the Mid-Hudson Library System as of and for the year ended December 31, 2017, and the related Notes to the Financial Statements, which collectively comprise the Library System's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund information of the Mid-Hudson Library System as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedule of Funding Progress for Other Post-Employment Benefits, Schedule of the Proportionate Share of the Net Pension Liability, and Schedule of Pension Contributions on pages 3-10 and 41-44, respectively, be presented to supplement the basic financial statements. Such information, though not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated May 4, 2018, on our consideration of Mid-Hudson Library System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mid-Hudson Library System's internal control over financial reporting and compliance.

RBT CPAs, LLP

Poughkeepsie, New York
May 4, 2018

**MID-HUDSON LIBRARY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of the Mid-Hudson Library System's annual financial report, the Library System's management provides narrative discussion and analysis of the financial activities of the Library System for the year ended December 31, 2017. The Library System's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Additional information is available in the Independent Auditor's Report which precedes Management's Discussion and Analysis.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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.

**MID-HUDSON LIBRARY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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.

**MID-HUDSON LIBRARY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the basic financial statements and accompanying Notes, this report also includes the supplementary information beginning on page 41.

FINANCIAL ANALYSIS OF THE LIBRARY SYSTEM AS A WHOLE

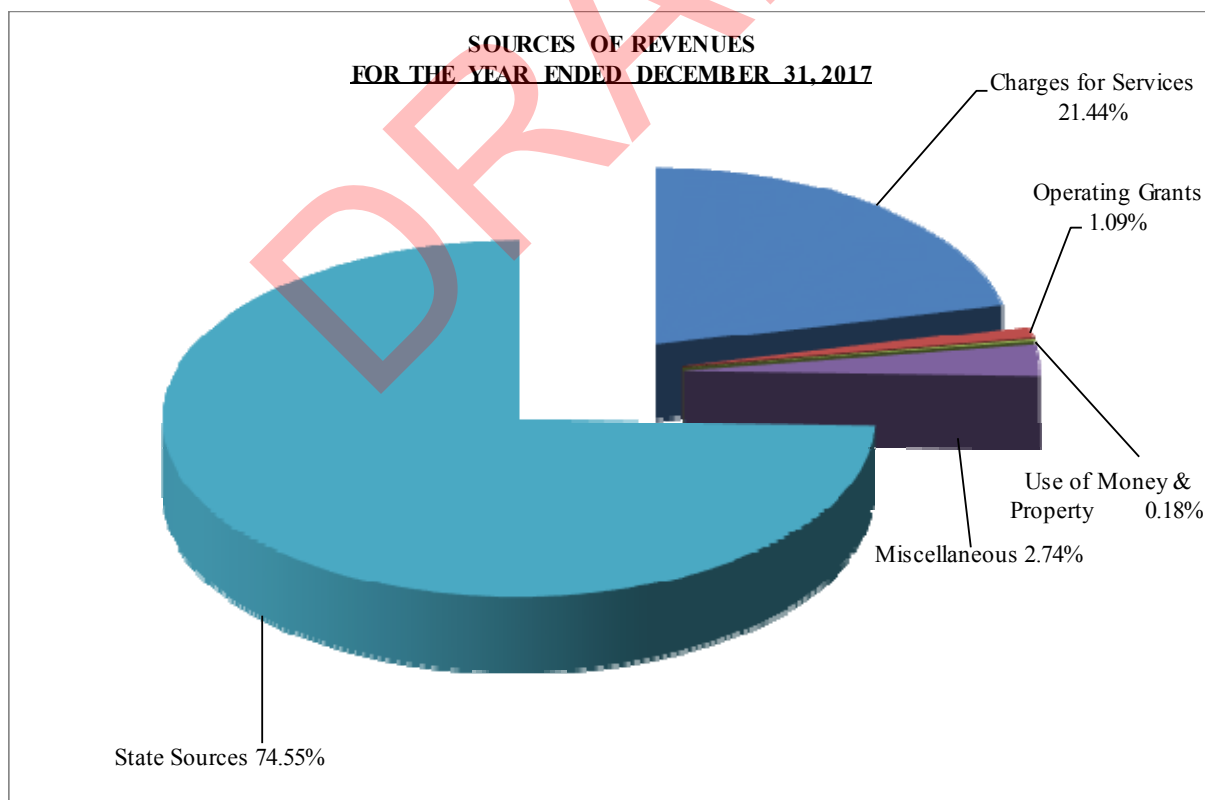
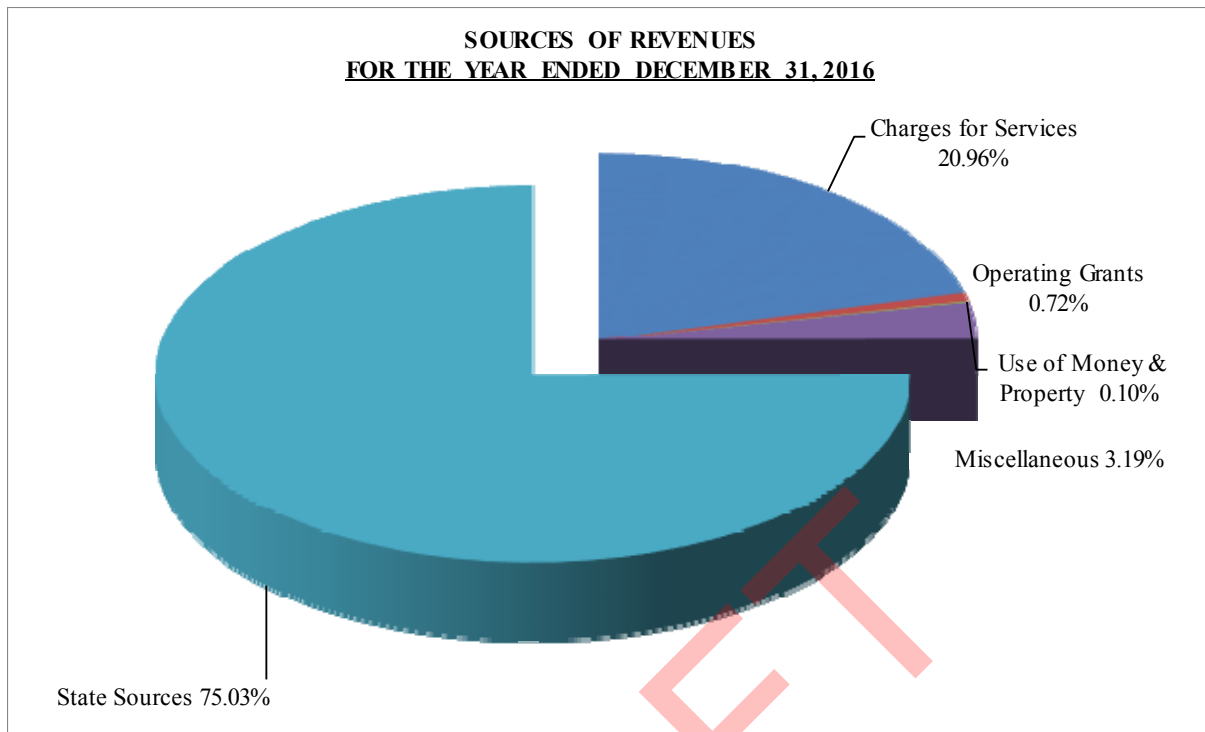
The Library System's net position at December 31, 2017 and December 31, 2016, was \$1,735,400 and \$1,857,792, respectively. The following table provides a summary of the Library System's net position:

	Summary of Net Assets		
	2017	2016	Change
Assets:			
Current Assets	\$ 2,599,297	\$ 2,613,708	\$ (14,411)
Capital Assets	592,211	324,373	267,838
Total Assets	<u>3,191,508</u>	<u>2,938,081</u>	<u>253,427</u>
Deferred Outflows of Resources:	<u>293,764</u>	<u>526,337</u>	<u>(232,573)</u>
Total Assets and Deferred Outflows of Resources:	<u>\$ 3,485,272</u>	<u>\$ 3,464,418</u>	<u>\$ 20,854</u>
Liabilities:			
Current Liabilities	\$ 142,328	\$ 47,797	\$ 94,531
Long-Term Liabilities	<u>1,396,697</u>	<u>1,449,791</u>	<u>(53,094)</u>
Total Liabilities	<u>1,539,025</u>	<u>1,497,588</u>	<u>\$ 41,437</u>
Deferred Inflows of Resources:	<u>103,177</u>	<u>109,038</u>	<u>(5,861)</u>
Net Investment in Capital Assets	592,211	324,373	267,838
Unrestricted	<u>1,250,859</u>	<u>1,533,419</u>	<u>(282,560)</u>
Total Net Position	<u>1,843,070</u>	<u>1,857,792</u>	<u>(14,722)</u>
Total Liabilities and Net Position	<u>\$ 3,485,272</u>	<u>\$ 3,464,418</u>	<u>\$ 20,854</u>

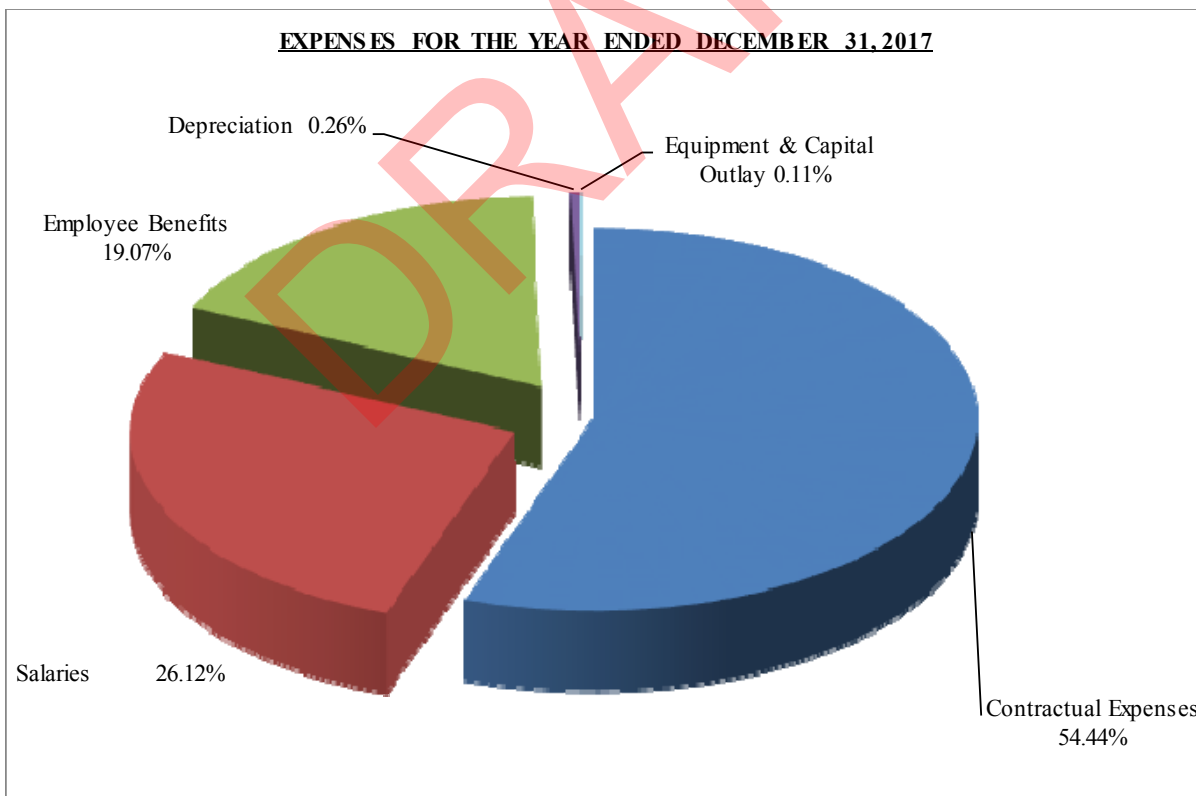
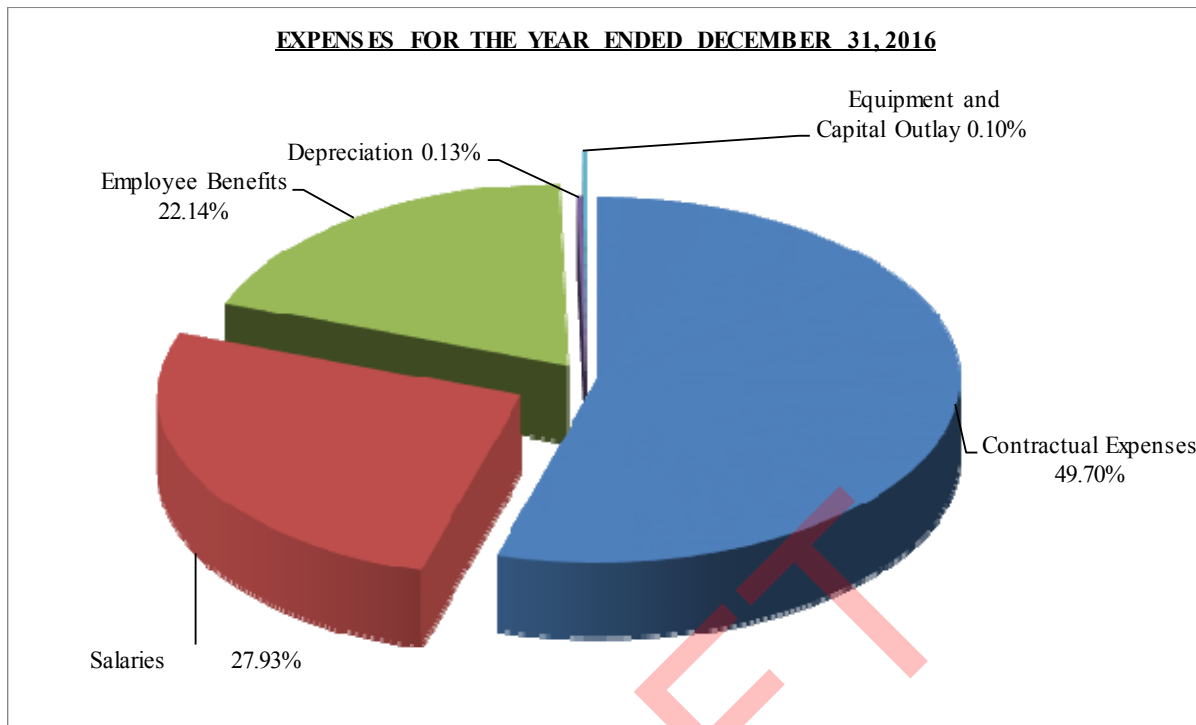
**MID-HUDSON LIBRARY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

During the 2017 year, the net position decreased by \$14,722. The following table and supporting graphs provides a summary of revenues, expenses, and changes in net position for the years ended December 31, 2017 and December 31, 2016:

	Governmental Activities		
	2017	2016	Change
Revenues			
Program Revenues			
Charges for Services	\$ 814,051	\$ 801,368	\$ 12,683
Operating Grants	41,396	27,483	13,913
General Revenues			
Use of Money and Property	6,745	3,628	3,117
Miscellaneous	104,191	122,076	(17,885)
State Sources	2,830,879	2,868,697	(37,818)
Total Revenues	3,797,262	3,823,252	(25,990)
Expenses			
Library Services	3,811,984	3,719,169	92,815
Total Expenses	3,811,984	3,719,169	92,815
Change in Net Position	\$ (14,722)	\$ 104,083	\$ (118,805)



**MID-HUDSON LIBRARY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**



**MID-HUDSON LIBRARY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2017			
	Nonspendable	Restricted	Assigned	Unassigned
General Fund	\$ 153,216	\$ -	\$ 14,769	\$ 1,864,116
Capital Fund	-	-	454,671	-
Special Aid Fund	-	-	-	(1,741)

	December 31, 2016			
	Nonspendable	Restricted	Assigned	Unassigned
General Fund	\$ 145,136	\$ -	\$ 6,514	\$ 1,988,141
Capital Fund	-	-	453,877	-
Special Aid Fund	-	-	-	(2,037)

General Fund Budgetary Highlights

The original budgeted revenues for the General Fund was increased by the Board of Trustees during the fiscal year by \$13,027.

In reviewing the actual results of operations for the General Fund for the year ended December 31, 2017, as compared to the adjusted budget, you will find expenditures were \$128,441 under budget, due to the Library System keeping fiscal restraints on purchases during the fiscal year.

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

Employee health and pension benefits will continue to rise.

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

Management believes that the budget adopted for the 2018 year is reasonably adaptable to any adverse changes that may arise based on the above factors.

**MID-HUDSON LIBRARY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Assets

The Library System's investment in capital assets, net of accumulated depreciation, as of December 31, 2017 was \$474,647. The Library System's investment in capital assets, net of accumulated depreciation, as of December 31, 2016 was \$324,373. This is an increase of \$150,274, a percentage increase of 46.33% (see below). The capital assets include land, buildings, and equipment. The Library's depreciation expense for the year was \$24,275.

CAPITAL ASSETS
Net of Accumulated Depreciation

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
<u>Non-Depreciable Assets</u>			
Land	\$ 10,000	\$ 10,000	0.00%
Construction in Process	117,564	-	100.00%
<u>Depreciable Assets</u>			
Buildings	389,938	281,840	38.35%
Equipment, Furniture and Fixtures	<u>74,709</u>	<u>32,533</u>	129.64%
Total	<u><u>\$ 592,211</u></u>	<u><u>\$ 324,373</u></u>	82.57%

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, 2017**

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,470,442
State and Federal Aid Receivable	2,673
Accounts Receivable	1,028
Prepaid Expenditures	125,154
Total Current Assets	2,599,297
Capital Assets:	
Land	10,000
Buildings, Machinery and Equipment, Net of Depreciation	582,211
Total Capital Assets	592,211
Total Assets	3,191,508
DEFERRED OUTFLOW OF RESOURCES	
Employee Retirement System	293,764
Total Deferred Outflow of Resources	293,764
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 3,485,272
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 124,218
Accrued Expenditures	5,460
Unearned Revenue	12,650
Total Current Liabilities	142,328
Long Term Liabilities:	
Due to Employee Retirement System	307,604
Compensated Absences Payable	76,946
Other Post Employment Benefits	1,012,147
Total Long Term Liabilities	1,396,697
Total Liabilities	1,539,025
DEFERRED INFLOW OF RESOURCES	
Employee Retirement System	103,177
Total Deferred Inflow of Resources	103,177
NET POSITION	
Net Investment in Capital Assets	592,211
Unrestricted	1,250,859
Total Net Position	1,843,070
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 3,485,272

See Notes to the Financial Statements.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
Governmental Activities:				
Library Services	\$ (3,811,984)	\$ 814,051	\$ 41,396	\$ (2,956,537)
Total governmental activities	\$ (3,811,984)	\$ 814,051	\$ 41,396	(2,956,537)
General Revenues				
Use of Money and Property				6,745
Miscellaneous				104,191
State Sources				2,830,879
Total General Revenues				2,941,815
Change in Net Position				(14,722)
Net Position at Beginning of Year				1,857,792
Net Position at End of Year				\$ 1,843,070

See Notes to the Financial Statements.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	GENERAL FUND	CAPITAL FUND	SPECIAL AID FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 2,004,962	\$ 454,571	\$ 10,909	\$ 2,470,442
State and Federal Aid Receivable	2,673	-	-	2,673
Accounts Receivable	928	100	-	1,028
Prepaid Expenditures	153,216	-	-	153,216
Total Assets	\$ 2,161,779	\$ 454,671	\$ 10,909	\$ 2,627,359
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 124,218	\$ -	\$ -	\$ 124,218
Accrued Expenditures	5,460	-	-	5,460
Unearned Revenue	-	-	12,650	12,650
Total Liabilities	129,678	-	12,650	142,328
FUND BALANCES				
Fund balance (deficit):				
Nonspendable:				
Prepaid Expenditures	153,216	-	-	153,216
Assigned:				
Encumbrances	14,769	-	-	14,769
Capital	-	454,671	-	454,671
Unassigned	1,864,116	-	(1,741)	1,862,375
Total Fund Balances	2,032,101	454,671	(1,741)	2,485,031
Total Liabilities and Fund Balances	\$ 2,161,779	\$ 454,671	\$ 10,909	\$ 2,627,359

See Notes to the Financial Statements.

MID-HUDSON LIBRARY SYSTEM

POUGHKEEPSIE, NEW YORK

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

DECEMBER 31, 2017

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS & LIABILITIES	RECLASSIFI- CATIONS & ELIMINATIONS	STATEMENT OF NET POSITION
ASSETS				
Cash and Cash Equivalents	\$ 2,470,442	\$ -	\$ -	\$ 2,470,442
State and Federal Aid Receivable	2,673	-	-	2,673
Accounts Receivable	1,028			1,028
Capital Assets, Net	-	592,211	-	592,211
Prepaid Expenditures	153,216	-	(28,062)	125,154
TOTAL ASSETS	2,627,359	592,211	(28,062)	3,191,508
DEFERRED OUTFLOWS OF RESOURCES	-	293,764	-	293,764
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 2,627,359	\$ 885,975	\$ (28,062)	\$ 3,485,272
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 124,218	\$ -	\$ -	\$ 124,218
Accrued Expenditures	5,460	-	-	5,460
Due to Employee Retirement System	-	307,604	-	307,604
Compensated Absences Payable	-	76,946	-	76,946
Other Postemployment Benefits	-	1,012,147	-	1,012,147
Unearned Revenue	12,650	-	-	12,650
TOTAL LIABILITIES	142,328	1,396,697	-	1,539,025
DEFERRED INFLOWS OF RESOURCES	-	103,177	-	103,177
FUND BALANCES/NET POSITION	2,485,031	(613,899)	(28,062)	1,843,070
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION	\$ 2,627,359	\$ 885,975	\$ (28,062)	\$ 3,485,272

See Notes to the Financial Statements.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	GENERAL FUND	CAPITAL FUND	SPECIAL AID FUND	TOTAL FUNDS
REVENUES				
Charges for Services	\$ 814,051	\$ -	\$ -	\$ 814,051
Use of Money and Property	6,020	725	-	6,745
Miscellaneous	104,191	-	-	104,191
State Sources	2,830,879	-	41,396	2,872,275
Total Revenues	3,755,141	725	41,396	3,797,262
EXPENDITURES				
Salaries	1,064,359	-	-	1,064,359
Equipment and Capital Outlay	23,710	-	-	23,710
Contractual Expenditures	2,226,429	-	41,100	2,267,529
Employee Benefits	548,264	-	-	548,264
Total Expenditures	3,862,762	-	41,100	3,903,862
Excess of Revenues Over/(Under) Expenditure:	(107,621)	725	296	(106,600)
OTHER FINANCING SOURCES AND USES				
Operating Transfers In	39,531	39,600	-	79,131
Operating Transfers Out	(39,600)	(39,531)	-	(79,131)
Total Other Financing Sources and Uses	(69)	69	-	-
Excess of Revenues and Other Sources Over/(Under)				
Expenditures and Other Uses	(107,690)	794	296	(106,600)
Fund Balances, Beginning of Year	2,139,791	453,877	(2,037)	2,591,631
Fund Balances, End of Year	\$ 2,032,101	\$ 454,671	\$ (1,741)	\$ 2,485,031

See Notes to the Financial Statements.

MID-HUDSON LIBRARY SYSTEM

POUGHKEEPSIE, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE & EXPENSES	CAPITAL RELATED ITEMS	RECLASSIFI- CATIONS & ELIMINATIONS	STATEMENT OF ACTIVITIES
REVENUES					
Charges for Services	\$ 814,051	\$ -	\$ -	\$ -	\$ 814,051
Use of Money and Property	6,745	-	-	-	6,745
Miscellaneous	104,191	-	-	-	104,191
State Sources	2,872,275	-	-	-	2,872,275
Total Revenues	3,797,262	-	-	-	3,797,262
EXPENDITURES					
Salaries	1,064,359	-	-	724,224	1,788,583
Equipment and Capital Outlay	23,710	-	-	-	23,710
Contractual Expenditures	2,267,529	-	(267,838)	-	1,999,691
Employee Benefits	548,264	175,960	-	(724,224)	-
Total Expenditures	3,903,862	175,960	(267,838)	-	3,811,984
Excess (Deficiency) of Revenue Over Expenditures	(106,600)	(175,960)	267,838	-	(14,722)
OTHER FINANCING SOURCES AND USES					
Operating Transfers In	79,131	-	-	(79,131)	-
Operating Transfers Out	(79,131)	-	-	79,131	-
Total Other Financing Sources and Uses	-	-	-	-	-
INCREASE (DECREASE) FOR THE YEAR	\$ (106,600)	\$ (175,960)	\$ 267,838	\$ -	\$ (14,722)

See Notes to the Financial Statements.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2017**

	TRUST AND AGENCY
ASSETS	
Cash	\$ 75,347
Total Assets	\$ 75,347
LIABILITIES	
County Fund	\$ 75,347
Total Liabilities	\$ 75,347

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See Notes to the Financial Statements.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 is reported in two parts—net investment in capital assets and unrestricted net position.

MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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, 2017**

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, 2017**

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, 2017, are as follows:

	<u>Library Fund</u>	<u>Special Aid Fund</u>	<u>Capital Fund</u>	<u>Total</u>
Interest Bearing Accounts	\$ 2,004,912	\$ 10,909	\$ 454,571	\$ 2,470,392
Petty Cash	50	-	-	50
TOTAL	<u>\$ 2,004,962</u>	<u>\$ 10,909</u>	<u>\$ 454,571</u>	<u>\$ 2,470,442</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, 2017 were fully collateralized and are not subject to custodial credit risk.

C. Investments

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

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

D. Equity Classifications

1. Library System-wide Statements

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

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvement 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 does not meet the definition of the above two classifications and is deemed to be available for general use by the Library System.

2. Fund 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 \$14,769 assigned for specific purposes through the issuance of purchase orders that encumbered the budget for the year ended December 31, 2017. The assignment is made when purchase orders are approved by the purchasing agent who is designated by the Board of Trustees at its annual reorganizational meeting pursuant to the Library System's purchasing policy.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

D. Equity Classifications (Continued)

2. Fund 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 are expensed as incurred. Depreciation methods and estimated useful lives of capital assets reported in the government-wide statements are as follows:

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

G. Accumulated Compensated Absences

It is the Library System's policy to permit employees to accumulate unpaid annual sick leave, vacation, and sabbatical/personal time. Sick leave and eligibility are 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, 2017**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

G. Accumulated Compensated Absences (Continued)

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

H. Accrued Liabilities and Long-Term Obligations

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

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

I. Pension Plans

a. Plan Description

The Library System is required to participate in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan System (collectively, the Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide 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 Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

b. Funding Policy

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

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

I. Pension Plans (Continued)

b. Funding Policy (Continued)

The Library System is required to contribute to the System at an actuarially determined rate. The required contributions for the current and prior two calendar years were \$112,248, \$102,879, and \$109,484, 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, 2017, the Library System reported a liability of \$307,604 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, 2017, 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, 2017, the Library System's proportion was .00327370 percent of the Employees' Retirement System liability.

For the year ended December 31, 2017, the Library System recognized pension expense of \$157,005. Resulting from the actuarial calculations provided by the State, the Library System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,708	\$ 46,712
Changes of assumptions	105,089	-
Net difference between projected and actual investment earnings on pension plan investments	61,441	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,278	56,465
Employer contributions subsequent to the measurement date	112,248	-
Total	<u>\$ 293,764</u>	<u>\$ 103,177</u>

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

I. Pension Plans (Continued)

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

\$112,248 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, 2017. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2018	\$	39,025
2019		39,025
2020		45,058
2021		(44,769)

Actuarial Assumptions

The total pension liability at March 31, 2017, was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017.

The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2016, valuation were as follows:

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

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

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

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

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

I. Pension Plans (Continued)

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

Actuarial Assumptions (Continued)

Best estimates of arithmetical real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	4.55%
International equity	6.35
Private equity	7.75
Real estate	5.80
Absolute return strategies	4.00
Opportunistic portfolio	5.89
Real assets	5.54
Bonds and mortgages	1.31
Cash	(0.25)
Inflation-indexed bonds	1.50

Discount Rate

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

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

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

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

I. Pension Plans (Continued)

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

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

	<u>1% Decrease (6.0%)</u>	<u>Current Discount (7.0%)</u>	<u>1% Increase (8.0%)</u>
Library System's proportionate share of the net ERS pension liability/(asset)	<u>\$ 982,431</u>	<u>\$ 307,604</u>	<u>\$ (262,958)</u>

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2017, were as follows:

	<u>Dollars in Thousands</u>
	<u>Employees' Retirement System</u>
Employers' total pension liability	<u>\$ 177,400,586</u>
Plan net position	<u>(168,004,363)</u>
Employers' net pension liability	<u>\$ 9,396,223</u>
Ratio of plan net position to the employers' total pension liability	94.7%

J. Other Post-Employment Benefits

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

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

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

J. Other Post-Employment Benefits (Continued)

The Library System recognizes the cost of providing health insurance annually as expenditures in the General Fund financial statements as payments made. For the year ended December 31, 2017, the Library System recognized \$153,441 for its share of insurance premiums for currently enrolled retirees.

The Library System has obtained an actuarial valuation report as of December 31, 2017, which indicates the total liability for other post-employment benefits is \$1,012,147, which is reflected in the Statement of Net Position.

Annual Other Postemployment Benefit Cost

The System's OPEB Cost (net expense) amounted to \$397,996 for the year ended December 31, 2017. 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 any unfunded actuarial liabilities over a period of 30 years.

Actuarial Accrued Liability (AAL)	
All Eligible Employees	\$ 4,612,975
Total Actuarial Accrued Liability	<u><u>\$ 4,612,975</u></u>
Annual Required Contribution (ARC)	<u><u>\$ 397,996</u></u>
Net OPEB Obligation - beginning of the year	\$ 875,476
Annual Required Contribution (ARC)	397,996
Interest on Net OPEB Obligation	10,944
Adjustment to Annual Required Contribution	<u>(25,283)</u>
Annual OPEB Cost	383,657
Actual Employer Contributions*	<u>(246,986)</u>
Increase in Net OPEB Obligation	<u>136,671</u>
Net OPEB Obligation - end of the year	<u><u>\$ 1,012,147</u></u>
Percent of Annual OPEB Cost Contributed	64.38%

*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, 2017**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

J. Other Post-Employment Benefits (Continued)

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

Actuarial Methods and Assumptions

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

The following assumptions were made:

Valuation Date: December 31, 2017

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

Discount Rate: 1.25% compounded annually

Age Adjustment Factor: 1.608

Participation Rate: 100% of eligible retirees expected to participate

Actuarial Cost Method: Entry age

Amortization period: Level percentage of payroll/open; over 30 years. The remaining period at December 31, 2017 is 27 years.

K. Restricted Resources

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

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

NOTE A - Summary of Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

L. Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

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

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

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

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

i) The costs of building and acquiring capital assets (land, buildings, and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the Library System as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives. The balances at December 31, 2017, are as follows:

Original Cost of Capital Assets	\$ 1,020,165
Accumulated Depreciation	<u>(545,518)</u>
Capital Assets, Net	<u>\$ 474,647</u>

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

Net Employee Retirement System	\$ 307,603
Compensated Absences Payable	76,946
Other Postemployment Benefits	<u>1,012,147</u>
	<u>\$ 1,396,696</u>

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

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

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

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

Deferred Outflow of Resources	\$ 293,764
Deferred Inflow of Resources	(103,177)
	<u>\$ 190,587</u>

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

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of two broad categories. The amounts shown below represent:

i) Revenue and Expense Timing Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Net Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital Related Differences

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

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

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	\$ 3,903,862
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 was less than the amount used during the year was \$7,810.	(7,810)
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 \$174,549 exceeded depreciation of \$24,275 in the current fiscal year.	(150,274)
In the Statement of Activities, the expense for other postemployment benefits is measured based on the calculated annual required contribution (ARC) of the Library System. In the governmental funds, however, these expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which the ARC exceeded the amount of financial resources used during the year.	136,671
In the governmental funds, pension expenditures related to ERS defined benefit plans are recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. In the Statement of Activities and Changes in Net Position, however, these expenses are measured as the change in the Library System's proportionate shares of the net pension assets and liabilities as of the measurement dates for the plan. This is the amount by which pension expense exceeded the amount of financial resources expended during the year.	47,099
Total Expenses in the Statement of Activities	<u>\$ 3,929,548</u>

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

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, in the Library System's name	\$ 2,599,112

NOTE D – Capital Assets

Capital asset balances and activity for the year ended December 31, 2017 were as follows:

	BALANCE JANUARY 1, 2017	ADDITIONS	(DISPOSALS)	BALANCE DECEMBER 31, 2017
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Building	460,335	120,198	-	580,533
Equipment, Furniture and Fixtures	389,747	54,351	(14,466)	429,632
Construction in Process	-	117,564	-	117,564
Total	860,082	292,113	(14,466)	1,137,729
Less: Accumulated Depreciation:	(535,709)	(24,275)	14,466	(545,518)
Capital Assets, Net	\$ 324,373	\$ 267,838	\$ -	\$ 592,211
Original Cost of Capital Assets	\$ 1,020,165			
Accumulated Depreciation	(545,518)			
Capital Assets, Net	\$ 474,647			

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

NOTE E – Long-Term Debt

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

	Balance January 1, 2017	Increases	Decreases	Balance December 31, 2017	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 84,756	\$ -	\$ (7,810)	\$ 76,946	\$ -
Other Postemployment Benefits	875,476	136,671	-	1,012,147	-
Due to NYS Employees' Retirement System	489,559	-	(181,955)	307,604	-
Total Long-Term Liabilities	<u>\$ 1,449,791</u>	<u>\$ 136,671</u>	<u>\$ (189,765)</u>	<u>\$ 1,396,697</u>	<u>\$ -</u>

NOTE F – Commitments

Operating Lease

Total expenditures on the Copier lease for the year ended December 31, 2017 were \$7,802. The Library System entered into a new lease with the Toshiba Corporation in the current fiscal year. The maximum future non-cancelable operating lease payments are as follows:

Year Ending December 31,	Amount
2018	\$ 4,740
2019	4,740
2020	4,740
2021	395
	<u>\$ 14,615</u>

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 audits, the Library System believes disallowances, if any, will be immaterial.

NOTE G – Fiduciary Fund

County Fund

During 2017, 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	\$ 75,347
	<u>\$ 75,347</u>

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

NOTE H – Interfund Balances and Activity

Interfund balances and activity for the year ended December 31, 2017, were as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ -	\$ -	\$ 39,531	\$ 39,600
Capital Fund	-	-	39,600	39,531
Total Governmental Activities	-	-	79,131	79,131
Totals	\$ -	\$ -	\$ 79,131	\$ 79,131

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

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

NOTE I – Capital Funds

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

Member's Capital	\$ 205,548
MHLS Capital	249,023
Total Capital Funds	<u>\$ 454,571</u>

NOTE J – New Reporting Standards

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves the information provided by state and local governmental employers about support for OPEB that is provided by other entities. 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.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

NOTE J – New Reporting Standards (Continued)

In March 2016, GASB issued Statement 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Library System is required to implement this standard for the year ending December 31, 2018. The implementation of this standard is not expected to have a substantive effect on the Library System's net position.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. The Library System has not evaluated the effect of GASB 83 on its financial statements.

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of GASB 84 are effective for reporting periods beginning after December 15, 2018. The Library System has not evaluated the effect of GASB 84 on its financial statements.

In March of 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits. The requirements of GASB 85 are effective for reporting periods beginning after June 15, 2017. The Library System has not evaluated the effect GASB 85 on its financial statements.

In May of 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of GASB 86 are effective for reporting periods beginning after June 15, 2017. The Library System has not evaluated the effect of GASB 86 on its financial statements.

**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

NOTE J – New Reporting Standards (Continued)

In June of 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for periods beginning after December 15, 2019. The Library System has not evaluated the effect of GASB 87 on its financial statements.

NOTE K – Subsequent Events

Management has evaluated subsequent events through May 4, 2018, 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.

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LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund information of the Mid-Hudson Library System as of and for the year ended December 31, 2017, 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 May 4, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

RBT CPAs, LLP

Poughkeepsie, New York
May 4, 2018

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REQUIRED SUPPLEMENTARY INFORMATION

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**MID-HUDSON LIBRARY SYSTEM
POUGHKEEPSIE, NEW YORK
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

GENERAL FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
LOCAL SOURCES				
Charges for Services	\$ 833,296	\$ 803,833	\$ 814,051	\$ 10,218
Use of Money and Property	800	800	6,020	5,220
Miscellaneous	99,715	104,115	104,191	76
STATE SOURCES	2,431,950	2,833,366	2,830,879	(2,487)
Total Revenues	3,365,761	3,742,114	3,755,141	13,027
EXPENDITURES				
SALARIES	1,059,190	1,064,360	1,064,359	1
EQUIPMENT AND CAPITAL OUTLAY	27,550	28,171	23,710	4,461
CONTRACTUAL EXPENDITURES				
Grants	859,229	1,243,270	1,239,280	3,990
Operations and Maintenance	174,532	448,180	359,324	88,856
Other Contractual	653,989	653,449	627,825	25,624
EMPLOYEE BENEFITS				
State Retirement System	118,436	121,177	121,220	(43)
Social Security	79,389	78,119	77,734	385
Workers Compensation	14,500	11,759	11,759	-
Unemployment Insurance	3,900	-	-	-
Disability Insurance	550	550	938	(388)
Medical Insurance	361,168	342,168	336,613	5,555
Total Expenditures	3,352,433	3,991,203	3,862,762	128,441
OTHER USES				
Operating Transfers In	75,387	114,061	39,531	(74,530)
Operating Transfers Out	(39,600)	(39,600)	(39,600)	-
Total Other Uses	35,787	74,461	(69)	(74,530)
Excess of Revenues and Other Sources Over				
Expenditures	\$ 49,115	\$ (174,628)	\$ (107,690)	\$ 66,938

MID-HUDSON LIBRARY SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST-EMPLOYMENT BENEFITS PLAN
DECEMBER 31, 2017

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2017	12/31/2016	\$ -	\$4,612,975	\$4,612,975	0.0%	\$ 1,064,492	433.35%
12/31/2016	12/31/2016	\$ -	\$4,612,975	\$4,612,975	0.0%	\$ 982,136	469.69%
12/31/2015	12/31/2013	\$ -	\$4,233,942	\$4,233,942	0.0%	\$ 936,277	452.21%

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MID-HUDSON LIBRARY SYSTEM
SCHEDULE OF PROPORTIONAL SHARE
OF NET PENSION LIABILITY
DECEMBER 31, 2017

NYSLRS Pension Plan Last 10 Fiscal Years*			
	March 31, 2017	March 31, 2016	March 31, 2015
Library System's proportion of the net pension liability (asset)	0.00327370%	0.00305020%	0.00311890%
Library System's proportionate share of the net pension liability (asset)	\$ 307,604	\$ 489,559	\$ 105,366
Library System's covered-employee payroll	\$ 1,064,492	\$ 982,136	\$ 936,277
Library System's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.90%	49.85%	11.25%
Fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%

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

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

MID-HUDSON LIBRARY SYSTEM
SCHEDULE OF PENSION CONTRIBUTIONS
DECEMBER 31, 2017

<p style="text-align: center;">NYSLRS Pension Plan Last 10 Fiscal Years*</p>			
	March 31, 2017	March 31, 2016	March 31, 2015
Contractually required contribution	\$ 102,879	\$ 114,646	\$ 94,003
Contributions in relation to the contractually required contribution	102,879	114,646	94,003
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Library System's covered-employee payroll	\$ 1,064,492	\$ 982,136	\$ 936,277
Contributions as a percentage of covered-employee payroll	9.66%	11.67%	10.04%

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

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

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