

THE MID-HUDSON LIBRARY SYSTEM

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021

THE MID-HUDSON LIBRARY SYSTEM

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

Draft for Review
Purposes 5/25/2022

The accompanying management discussion and analysis of The Mid-Hudson Library System's financial performance has been prepared to provide an overview of the Library System's financial activities for the year ended December 31, 2021. This discussion and analysis is only an introduction and should be read in conjunction with the Library System's financial statements.

Requests For Information

This report is designed to provide an overview of the Library System's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Rebekkah Smith Aldrich, Executive Director, The Mid-Hudson Library System, 103 Market Street, Poughkeepsie, NY 12601.

Financial Highlights

- The Library System's net position was \$(246,140) at December 31, 2021.
- The total net position increased by \$469,753 during the year ended December 31, 2021.
- At December 31, the Library System's proportionate share of the net pension liability for ERS was \$3,644 and its OPEB liability was \$4,089,425.
- As of the close of the current year, the Library System's governmental funds reported an ending fund balance of \$3,265,159, an increase of \$512,599 in comparison with the prior year.
- At the end of the current year, unassigned fund balance for the General Fund was \$3,157,172.
- At the beginning of the current year prior period adjustments for adoption of a change in accounting principle and a restatement of capital assets resulted in a decrease in opening governmental fund balance of \$(198,310) and a decrease in opening entity-wide net position of \$(169,833).

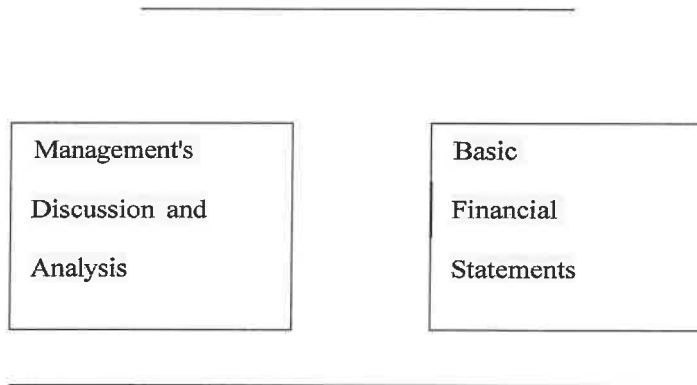
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library System's basic financial statements. The Library System's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Library System's financial position through the use of government-wide statements and fund financial statements. Each view will be explained in more detail following this narrative. In addition to the basic financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the Library System.

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

System's Basic Financial Statements

Figure 1



Government

Financial

Statement

Summary

Detail

Basic Financial

Statements

The first two statements in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the Library System's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Library System. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements, they include: 1) the governmental and fiduciary fund statements and 2) reconciliations to the government-wide financial statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Library System's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Library System's financial status as a whole.

The two government-wide statements report the Library System's net position and how it has changed. Net position is the difference between the Library System's total assets and total liabilities. Measuring net position is one way to gauge the Library System's financial condition.

The governmental activities include most of the Library System's basic services such as library services. State aid and charges for services finance most of these activities.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the Library System's most significant activities. A fund is a group of self-balancing accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library System, like all other governmental entities in New York, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the New York State General Municipal Law and local finance law. All of the funds of the Library System are classified in one of two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Library System's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Library System's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in reconciliations that are a part of the fund financial statements.

Fiduciary Funds - The Library System acts in a custodial capacity for assets that are ultimately transferred to others, such as member libraries monies held for distribution. These funds are excluded from the government-wide financial statements because the Library System cannot use these assets to finance operations.

The Library System adopts an annual budget for certain funds as required by municipal law. The budget is a legally adopted document that incorporates state budgetary appropriations for the Library System, the management of the Library System, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Library System to obtain funds from identified sources to finance these current period activities. The budgetary comparison demonstrates how well the Library System complied with the budget ordinance and whether or not the Library System succeeded in providing the services as planned when the budget was adopted. The budgetary comparison schedule uses the modified accrual basis of accounting and is presented using the same format, language and classifications as the legal budget document. The schedule shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual revenues, expenditures and ending balances; and 4) the variance between the final budget and actual revenues and expenditures. The schedule is presented as required supplementary information.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

Draft for Review
Purposes 5/25/2022

**GOVERNMENT-WIDE FINANCIAL ANALYSIS
GOVERNMENTAL ACTIVITIES
NET POSITION**

	2021	2020	\$ Change	% Change
Current Assets	\$ 3,415,822	\$ 3,175,362	\$ 240,460	7.57%
Capital Assets	850,613	837,558	13,055	1.56%
Total Assets	4,266,435	4,012,920	253,515	6.32%
Deferred Outflows of Resources	902,311	619,784	282,527	45.58%
Total Assets and Deferred Outflows of Resources	5,168,746	4,632,704	536,042	11.57%
Current Liabilities	74,053	223,893	(149,840)	-66.92%
Long-Term Liabilities	4,188,169	4,919,454	(731,285)	-14.87%
Total Liabilities	4,262,222	5,143,347	\$ (881,125)	-17.13%
Deferred Inflows of Resources	1,152,664	35,417	1,117,247	3,154.55%
Net Position:				
Net Investment in Capital Assets	850,613	837,558	13,055	1.56%
Unrestricted	(1,096,753)	(1,383,618)	286,865	-20.73%
Total Net Position	\$ (246,140)	\$ (546,060)	\$ 299,920	-54.92%

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS
GOVERNMENTAL ACTIVITIES
CHANGES IN NET POSITION**

	2021	%	2020	%	\$ Change	% Change
Revenues:						
Program Revenues:						
Charges for Services	\$ 861,898	22.41%	\$ 830,428	23.73%	\$ 31,470	3.79%
Operating Grants	478,667	12.44%	13,903	0.40%	464,764	3,342.90%
General Revenues:						
Use of Money and Property	2,517	0.07%	6,467	0.18%	(3,950)	-61.08%
Miscellaneous	5,662	0.15%	32,197	0.92%	(26,535)	-82.41%
State Sources	2,497,745	64.94%	2,617,030	74.77%	(119,285)	-4.56%
Total Revenues	3,846,489	100.00%	3,500,025	100.00%	346,464	9.90%
Expenses:						
Library Services	3,376,736	100.00%	3,769,229	100.00%	(392,493)	-10.41%
Total Expenses	3,376,736	100.00%	3,769,229	100.00%	(392,493)	-10.41%
Increase/(Decrease) in Net Position	\$ 469,753		\$ (269,204)		\$ 738,957	274.50%

Governmental Funds Financial Analysis

As noted earlier, the Library System uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Library System's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing the Library System's financing requirements. Specifically, unassigned fund balance can be a useful measure of the Library System's net resources available for spending at the end of the year.

The General Fund is the chief operating fund of the Library System. At the end of the current year, the unassigned fund balances of the General Fund was \$3,158,911. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 98.3% percent of total General Fund expenditures.

At December 31, 2021, the governmental funds of the Library System reported a combined fund balance of \$3,265,758, an 18.6 percent increase over the prior year end. Two of the three of the Library System's funds reported an increase in fund balance.

General Fund Budgetary Highlights: During the year, the Library System revised the General Fund budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

The original budgeted revenues for the General Fund were increased by the Board of Trustees during the year by **\$481,726**, based on a mid-year budget review and the impact of a projected increase in state aid. Due to restorations in state aid and the forgiveness of the Paycheck Protection Program loan of \$304,480, the Library System's actual revenues exceeded the amended budget by **\$286,678**.

In reviewing the actual results of operations for the General Fund for the year ended December 31, 2021, as compared to the adjusted budget, expenditures were **\$206,864** under the amended budget, **primarily due to reduction in costs for employee benefits and renegotiated costs for delivery services and databases**.

Fund Balances: 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.

Capital Assets: The Library System's investment in capital assets, net of accumulated depreciation, as of December 31, 2021 was \$850,613. The capital assets include land, buildings, equipment, furniture and fixtures, and construction in process. The Library's depreciation expense for the year was \$37,451. There were \$22,029 of capital asset additions during the year.

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Mid-Hudson Library System
Poughkeepsie, NY 12601

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Mid-Hudson Library System, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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 aggregate remaining fund information of The Mid-Hudson Library System, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Mid-Hudson Library System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Mid-Hudson Library System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

THE MID-HUDSON LIBRARY SYSTEM
INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Draft for Review
Purposes 5/25/2022

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mid-Hudson Library System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Mid-Hudson Library System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for other post-employment benefits, schedule of proportionate share of the net pension liability, and schedule of pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an 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.

THE MID-HUDSON LIBRARY SYSTEM
INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Draft for Review
Purposes 5/25/2022

Other Reporting Required by *Government Auditing Standards*

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

Hudson, New York
REPORT DATE

THE MID-HUDSON LIBRARY SYSTEM
STATEMENT OF NET POSITION
DECEMBER 31, 2021

Draft for Review
Purposes 5/25/2022

ASSETS

Cash:					
Unrestricted		\$		3,264,831	
Restricted				-	
Receivables:					
State and Federal Aid				59,348	
Other				1,676	
Deferred Expenditures				89,967	
Capital Assets, Net				850,613	
				4,266,435	
Total Assets				4,266,435	

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows - Pension	753,142
Deferred Outflows - Contributions post measurement	149,169
	902,311
Total Deferred Outflows of Resources	902,311

LIABILITIES

Payables:					
Accounts Payable		\$		34,630	
Accrued Liabilities				39,423	
Due and Payable After One Year:					
Compensated Absences Payable				95,100	
Other Post Employment Benefits Payable				4,089,425	
Net Pension Liability - Proportionate Share				3,644	
Other Liabilities				-	
Total Liabilities				4,262,222	

DEFERRED INFLOWS OF RESOURCES

Deferred Revenues	76,011
Deferred Inflows - Pension	1,076,653
Total Deferred Inflows of Resources	1,152,664

NET POSITION

Net Investment in Capital Assets	850,613
Unrestricted	(1,096,753)
Total Net Position	\$ (246,140)

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

THE MID-HUDSON LIBRARY SYSTEM
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

Draft for Review
Purposes 5/25/2022

	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS					
Governmental Activities:					
General Government Support	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and Recreation	2,747,793	628,943	(861,898)	(478,667)	2,036,171
Employee Benefits	591,492	(591,492)	-	-	-
Depreciation Expense	37,451	(37,451)	-	-	-
Total Governmental Activities	<u>3,376,736</u>	<u>-</u>	<u>(861,898)</u>	<u>(478,667)</u>	<u>2,036,171</u>
GENERAL REVENUES					
Use of Money and Property					2,517
Miscellaneous					5,662
State Sources					<u>2,497,745</u>
Total General Revenues					<u>2,505,924</u>
Change in Net Position					469,753
Total Net Position - Beginning of Year					<u>(546,060)</u>
Prior Period Adjustment - See Note 14					<u>(169,833)</u>
Total Net Position - Beginning of Year, as Restated					<u>(715,893)</u>
Total Net Position - End of Year					<u>\$ (246,140)</u>

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

THE MID-HUDSON LIBRARY SYSTEM
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2021

Draft for Review
Purposes 5/25/2022

	General	Special Aid	Capital Project	Governmental Funds
ASSETS				
Cash:				
Unrestricted	\$ 3,264,831	\$ -	\$ -	\$ 3,264,831
Restricted	-	-	-	-
Receivables				
Due from Other Funds	24,239	-	-	24,239
State and Federal Aid	36,848	22,500	-	59,348
Other, Net of Allowance	1,676	-	-	1,676
Deferred Expenditures	89,967	-	-	89,967
Capital Assets, Net	-	-	-	-
Total Assets	\$ 3,417,561	\$ 22,500	\$ -	\$ 3,440,061
LIABILITIES				
Payables:				
Accounts Payable	\$ 34,630	\$ -	\$ -	\$ 34,630
Accrued Liabilities	39,423	-	-	39,423
Due to Other Funds	-	24,239	-	24,239
Total Liabilities	74,053	24,239	-	98,292
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue	76,011	-	-	76,011
Total Deferred Inflows of Resources	76,011	-	-	76,011
FUND BALANCES				
Non-Spendable	89,967	-	-	89,967
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	18,619	-	-	18,619
Unassigned	3,158,911	(1,739)	-	3,157,172
Total Fund Balances	3,267,497	(1,739)	-	3,265,758
Total Liabilities and Fund Balances	\$ 3,417,561	\$ 22,500	\$ -	\$ 3,440,061
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				\$ 850,613
Long-term liabilities, including bonds payable, compensated absences and post-employment benefits, are not due and payable in the current period and therefore are not reported in the funds.				(4,184,525)
Proportionate share of long-term asset and liability associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the funds				898,667
Other				(1,076,653)
Net Position of Governmental Activities				\$ (246,140)

Note: Totals may not add due to rounding.

THE MID-HUDSON LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General	Special Aid	Capital Project	Governmental Funds
REVENUES				
Departmental Income	\$ 901,498	\$ -	\$ -	\$ 901,498
Use of Money and Property	2,517	-	-	2,517
Miscellaneous	5,662	-	-	5,662
State Sources	2,497,745	136,631	-	2,634,376
Federal Sources	342,036	-	-	342,036
Total Revenues	<u>3,749,458</u>	<u>136,631</u>	<u>-</u>	<u>3,886,089</u>
EXPENDITURES				
Culture and Recreation	2,621,808	136,196	-	2,758,004
Employee Benefits	591,492	-	-	591,492
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>3,213,300</u>	<u>136,196</u>	<u>-</u>	<u>3,349,496</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>536,158</u>	<u>435</u>	<u>-</u>	<u>536,593</u>
OTHER FINANCING SOURCES AND USES				
Operating Transfers in	15,606	-	-	15,606
Operating Transfers (out)	(39,600)	-	-	(39,600)
Total Other Sources (Uses)	<u>(23,994)</u>	<u>-</u>	<u>-</u>	<u>(23,994)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>512,164</u>	<u>435</u>	<u>-</u>	<u>512,599</u>
Fund Balances - Beginning of Year	2,564,982	(2,174)	388,661	2,951,469
Prior Period Adjustment	190,351	-	(388,661)	(198,310)
Fund Balances - Beginning of Year, as Restated	<u>2,755,333</u>	<u>(2,174)</u>	<u>-</u>	<u>2,753,159</u>
Fund Balances - End of Year	<u>\$ 3,267,497</u>	<u>\$ (1,739)</u>	<u>\$ -</u>	<u>\$ 3,265,758</u>

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

THE MID-HUDSON LIBRARY SYSTEM
RECONCILIATION OF NET CHANGE IN GOVERNMENTAL FUND
BALANCES TO GOVERNMENTAL ACTIVITIES CHANGE IN NET POSITION
DECEMBER 31, 2021

Draft for Review
Purposes 5/25/2022

Total net changes in fund balances - governmental funds \$ 512,599

Amounts reported for governmental *activities* in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (37,451)	
Loss on Disposition	-	
Capital outlays	<u>22,029</u>	(15,422)

In the Statement of Activities, certain operating expenses--compensated absences (vacations), special termination benefits (early retirement) and retirees' health insurance--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*). (128,245)

(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.

Employees' Retirement System 100,821

Change in net position of governmental activities. \$ 469,753

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

THE MID-HUDSON LIBRARY SYSTEM
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Draft for Review
Purposes 5/25/2022

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash:				
Unrestricted	\$ 3,264,831	\$ -	\$ -	\$ 3,264,831
Restricted	-	-	-	-
Receivables	-	-	-	-
Due from Other Funds	24,239	-	(24,239)	-
State and Federal Aid	59,348	-	-	59,348
Other	1,676	-	-	1,676
Deferred Expenditures	89,967	-	-	89,967
Capital Assets, Net	-	850,613	-	850,613
Net Pension Asset - Proportionate Share	-	-	-	-
Total Assets	<u>3,440,061</u>	<u>850,613</u>	<u>(24,239)</u>	<u>4,266,435</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow - Pension	-	753,142	-	753,142
Deferred Outflow - Contributions Post Measurement	-	149,169	-	149,169
Total Deferred Outflows of Resources	<u>-</u>	<u>902,311</u>	<u>-</u>	<u>902,311</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 3,440,061</u>	 <u>\$ 1,752,924</u>	 <u>\$ (24,239)</u>	 <u>\$ 5,168,746</u>
LIABILITIES				
Payables:				
Accounts Payable	\$ 34,630	\$ -	\$ -	\$ 34,630
Accrued Liabilities	39,423	-	-	39,423
Due to Other Funds	24,239	-	(24,239)	-
Long-Term Liabilities	-	-	-	-
Compensated Absences Payable	-	95,100	-	95,100
Other Post Employment Benefits Payable	-	4,089,425	-	4,089,425
Net Pension Liability - Proportionate Share	-	3,644	-	3,644
Total Liabilities	<u>98,292</u>	<u>4,188,169</u>	<u>(24,239)</u>	<u>4,262,222</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue	76,011	-	-	76,011
Deferred Inflows - Pension	-	1,076,653	-	1,076,653
Total Deferred Inflows of Resources	<u>76,011</u>	<u>1,076,653</u>	<u>-</u>	<u>1,152,664</u>
FUND BALANCE/NET POSITION				
Total Fund Balance/Net Position	<u>3,265,758</u>	<u>(3,511,898)</u>	<u>-</u>	<u>(246,140)</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position	 <u>\$ 3,440,061</u>	 <u>\$ 1,752,924</u>	 <u>\$ (24,239)</u>	 <u>\$ 5,168,746</u>

Note: Totals may not add due to rounding.

See independent auditor's report and notes to financial statements.

THE MID-HUDSON LIBRARY SYSTEM
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES.
 FOR THE YEAR ENDED DECEMBER 31, 2021

Draft for Review
 Purposes 5/25/2022

	Total Governmental Funds	Long-Term Revenue, Expenses	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
REVENUES					
Departmental Income	901,498	-	-	(39,600)	861,898
Use of Money and Property	2,517	-	-	-	2,517
Miscellaneous	5,662	-	-	-	5,662
State Sources	2,634,376	-	-	-	2,634,376
Federal Sources	342,036	-	-	-	342,036
Total Revenues	<u>3,886,089</u>	<u>-</u>	<u>-</u>	<u>(39,600)</u>	<u>3,846,489</u>
EXPENDITURES/EXPENSES					
General Support	-	-	-	-	-
Culture and Recreation	2,758,004	27,424	(22,029)	(15,606)	2,747,793
Employee Benefit	591,492	-	-	-	591,492
Depreciation Expense	-	-	37,451	-	37,451
Total Expenditures/Expenses	<u>3,349,496</u>	<u>27,424</u>	<u>15,422</u>	<u>(15,606)</u>	<u>3,376,736</u>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	<u>536,593</u>	<u>(27,424)</u>	<u>(15,422)</u>	<u>(23,994)</u>	<u>469,753</u>
OTHER SOURCES AND USES					
Operating Transfers In	15,606	-	-	(15,606)	-
Operating Transfers (Out)	(39,600)	-	-	39,600	-
Total Other Sources (Uses)	<u>(23,994)</u>	<u>-</u>	<u>-</u>	<u>23,994</u>	<u>-</u>
Net Change for the Year	<u>\$ 512,599</u>	<u>\$ (27,424)</u>	<u>\$ (15,422)</u>	<u>\$ -</u>	<u>\$ 469,753</u>

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

THE MID-HUDSON LIBRARY SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021

Draft for Review
Purposes 5/25/2022

	Custodial Fund
ASSETS	
Cash	\$ 222,408
Accounts Receivable	-
Due from Other Funds	-
 Total Assets	 \$ 222,408
LIABILITIES	
Other Liabilities	-
 Total Liabilities	 \$ -
NET POSITION	
Restricted for Other Purposes	
Unrestricted (Deficit)	\$ 222,408

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

	Custodial Fund
ADDITIONS:	
Local Funding	\$ 76,050
Interest and Earnings	104
Member Fees	39,600
Total Additions	115,754
DEDUCTIONS:	
Other Custodial Activities	100,210
Member Expenditures	15,606
	115,816
Change in Net Position	(62)
Net Position - Beginning of Year	24,160
Prior Period Adjustment - See Note 14	198,310
Net Position - Beginning of Year, as Restated	222,470
Net Position - End of Year	\$ 222,408

Note: Totals may not add due to rounding.

THE MID-HUDSON LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

Draft for Review
Purposes 5/25/2022

DECEMBER 31, 2021

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of The Mid-Hudson Library System (the “Library System”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied 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.

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

A. Reporting Entity:

The Library System is governed by the laws of New York State. The Library System is exempt from federal and state income taxes. 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 on advocacy for and promotion of public libraries.

The reporting entity of the Library System is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as Amended by GASB Statement #39, *Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus and Amendment of GASB No. 14 and No. 39* and GASB 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. 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, there are no entities included in the Library System’s reporting entity.

B. Basis of Presentation:

I. Governmental-Wide Statements:

The Statement of Net Position and the Statement of Activities present financial information about the Library System’s governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through State aid, intergovernmental revenues, and other exchange and non-exchange

See independent auditor’s report.

DECEMBER 31, 2021

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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

II. Fund Financial Statements:

The fund statements provide information about the Library System's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds.

1. The Library System reports the following governmental funds:

a. General Fund:

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

b. Capital Fund:

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for the acquisition or construction of capital facilities and other capital assets other than those financed by proprietary funds.

c. Special Aid Funds:

Special Aid Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

2. Fiduciary Funds (Custodial):

This 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

DECEMBER 31, 2021

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

statements, because their resources do not belong to the Library System, and are not available to be used.

C. Measurement Focus and Basis of Accounting:

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The governmental-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Library System gives or receives value without directly receiving or giving equal value in exchange, including property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Library System considers all revenues reported in the governmental funds to be available if the revenues are collected within 365 days after the end of the fiscal year, including real property taxes.

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

D. Cash (and Cash Equivalents) and Investments:

The Library System's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the Library System's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Libraries. Investments are stated at fair values.

DECEMBER 31, 2021

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Accounts Receivable:

An allowance for uncollectible accounts has been provided for certain amounts that may not be collectible.

F. Deferred Items:

Deferred items represent payments made by the Library System for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as deferred items in both the library-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or balance sheet using the consumption method. A current asset for the deferred amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of the fund balance in the amount of these non-liquid assets (deferred items) has been identified as not available for other subsequent expenditures.

G. Due To/From Other Funds:

Amounts due to and due from within the same fund type have been eliminated in the Government-wide statements.

H. Capital Assets:

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & Improvements	\$1,000	Straight-Line	20-40 Years
Furniture and Equipment	\$1,000	Straight-Line	5-10 Years
Vehicles	\$1,000	Straight-Line	5-8 Years

I. Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and, therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The Library System does not have items that qualify for reporting in this category.

DECEMBER 31, 2021

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and, therefore will not be recognized as an inflow of resources (revenue) until that time. The Library System does not have items that qualify for reporting in this category.

J. Vested Employee Benefits:

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

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated vacation time, based on contractual provisions.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability in the governmental-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

K. Other Benefits:

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

In addition to providing pension benefits, the Library System provides health insurance coverage and survivor benefits for retired employees and their survivors in accordance with various employment contracts. Substantially all of the Library System's employees may become eligible for these benefits if they reach normal retirement age while working for the Library System and have completed 5 years of continuous service. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. Some costs of providing post-retirement benefits are shared between the Library System and the retired employee. The Library System recognizes the cost of providing health insurance by recording its share of the insurance premiums as expenditure or operating transfer to other funds in the General Fund in the year paid.

L. Unearned Revenue:

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Library System before it has a legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In

DECEMBER 31, 2021

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

subsequent periods, when both recognition criteria are met, or when the Library System has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

M. Restricted Resources:

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Library System's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

N. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

O. Accrued Liabilities and Long-Term Obligations:

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

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

P. Equity Classifications:

I. Governmental-Wide Statements:

In the governmental-wide statements there are three classes of net position:

- a. *Investment 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, construction or improvements of those assets.

DECEMBER 31, 2021

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

II. Funds Statements:

In the fund basis statements there are five classifications of fund balance:

- a. *Non-spendable fund balance* – includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The Library System has \$89,967 of Non-spendable fund balance as of December 31, 2021.
- b. *Restricted* - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as indicated below. The Library System has not established any restricted fund balances.
- c. *Committed* – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Library System’s highest level of decision making authority, i.e., the Board of Trustees. The Library System has no committed fund balances as of December 31, 2021.
- d. *Assigned* – Includes amounts that are constrained by the Library System’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$18,619.
- e. *Unassigned* – Includes all other General Fund net position that does not meet the definition of the above four classifications and is deemed to be available for general use by the Library System.

III. Order of Use of Fund balance:

The Library System’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined

DECEMBER 31, 2021

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

next and then unassigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Q. Interfund Transfers:

The operations of the Library System give rise to certain transactions between funds, including transfers to provide services and construct assets. Interfund transfers within fund categories are eliminated for the Statement of Activities.

R. New Accounting Standards:

The Library System has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2021, the Library System implemented the following new standards issued by GASB:

-- The GASB has issued Statement No. 93, *Replacement of Interbank Offered Rates*, which provides exceptions to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020.

-- The GASB has issued Statement No. 98, *The Annual Comprehensive Financial Report* - This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

S. Future Changes in Accounting Standards:

-- The GASB has issued Statement No. 87, *Leases*, which will better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

-- The GASB has issued Statement No. 91, *Conduit Debt Obligations*, which provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

-- The GASB has issued Statement No. 92, *Omnibus 2020*, which enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation

DECEMBER 31, 2021

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

and application of certain GASB Statements. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021. The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by topic.

-- The GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will improve financial reporting by addressing issues related to public-private and public-public partnerships arrangements (PPPs). Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the

operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this statement are effective for reporting periods beginning after June 15, 2022. Earlier application encouraged.

-- The GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. Earlier application encouraged.

-- The GASB has issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84*, and a supersession of GASB Statement No. 32, which provides increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. Costs will be mitigated associated with the reporting of certain defined contribution pension

DECEMBER 31, 2021

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

plans. The relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Library System will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLE:

For the fiscal year ended December 31, 2021, the Library System implemented GASB Statement No. 84, *Fiduciary Activities*. The New York State Office of the State Comptroller implementation bulletin of the statement provided guidance to the Library System regarding the identification of fiduciary activities, financial reporting and updating related account codes for governmental, fiduciary and proprietary funds.

NOTE 3 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUNDS STATEMENTS AND LIBRARY SYSTEM-WIDE STATEMENTS:

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

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

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

- The costs of building and acquiring capital assets (lands, 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, and their original costs are expensed annually over their useful lives. See *Note 7 – Capital Assets* in these notes to the financial statements for information on the net capital assets of \$850,613.

See independent auditor's report.

DECEMBER 31, 2021

NOTE 3 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUNDS STATEMENTS AND LIBRARY SYSTEM-WIDE STATEMENTS (CONTINUED):

-- Long-term liabilities 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:

Net Employee Retirement System	\$ 3,644
Compensated Absences	95,100
Other Postemployment Benefits	<u>4,089,425</u>
	<u>\$ 4,188,169</u>

-- 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	<u>\$ 902,311</u>
Deferred Inflow of Resources	<u>\$ 1,076,653</u>

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

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of three board categories:

I. Long-Term Revenue/Expense Differences:

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

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

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 as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

See independent auditor’s report.

DECEMBER 31, 2021

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. Budgetary Procedures and Budgetary Accounting:

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

-- General Fund

The voters of the Library System approve the proposed appropriation budget 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) that 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.

Supplemental appropriations occurred during the year and are detailed below:

Adopted Budget	\$ 2,996,660
Prior Year's Encumbrances	<u>-</u>
Original Budget	2,996,660
Budget Revisions	<u>486,009</u>
Final Budget	<u>\$ 3,482,669</u>

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

Budgets are established and used for individual capital project fund expenditures as approved by a special referendum of the Library System's votes. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the project.

B. Encumbrances:

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as restrictions or assignments of fund balance and do not represent expenditures or liabilities.

DECEMBER 31, 2021

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED):

These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

NOTE 5 – CASH AND CASH EQUIVALENTS – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, AND FOREIGN CURRENCY RISKS:

Cash:

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 statues govern the Library System’s investment policies, as discussed previously in these Notes.

As of December 31, 2021, \$0- of the Library System’s bank balance of \$3,535,480 was exposed to custodial credit risk 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> -</u>

NOTE 6 – INTERFUND ACTIVITY:

Interfund activity for the year ended December 31, 2021 were as follows:

	Due From	Due To	Transfers In	Transfers Out
General Fund	\$ 24,239	\$ -	\$ 15,606	\$ 39,600
Special Aid Fund	<u> -</u>	<u>24,239</u>	<u> -</u>	<u> -</u>
Total Governmental Activites	24,239	24,239	15,606	39,600
Fiduciary Activities; Custodial Fund	<u> -</u>	<u> -</u>	<u>39,600</u>	<u>15,606</u>
Total all Activities	<u>\$ 24,239</u>	<u>\$ 24,239</u>	<u>\$ 55,206</u>	<u>\$ 55,206</u>

NOTE 7 – CAPITAL ASSETS:

Capital asset balances and activity for the year ended December 31, 2021, were as follows:

See independent auditor’s report.

DECEMBER 31, 2021

NOTE 7 – CAPITAL ASSETS (CONTINUED):

	Beginning Balance Restated	Additions	Retirements/ Reclassifications	Ending Balance
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital Assets that are Depreciated:				
Building and Improvements, Restated	\$ 1,015,850	\$ -	\$ -	\$ 1,015,850
Equipment, Furniture and Fixtures, Restated	180,340	22,029	-	202,369
Total Depreciable Historical Cost	1,196,190	22,029	-	1,218,219
Less Accumulated Depreciation:				
Building and Improvements, Restated	(231,757)	(25,491)	-	(257,248)
Equipment, Furniture and Fixtures, Restated	(108,398)	(11,960)	-	(120,358)
Total Accumulated Depreciation	(340,155)	(37,451)	-	(377,606)
Total Depreciable Historical Cost, Net	\$ 856,035	\$ (15,422)	\$ -	\$ 840,613

Depreciation expense was charged to
governmental functions as follows:

Culture and Recreation	\$ 37,451
	<u>\$ 37,451</u>

NOTE 8 – PENSION PLANS:

A. General Information:

The Library System participates in the New York State Employees' Retirement System (NYSERS). This is cost-sharing, multiple-employer public employee retirement system. The System offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

B. Provisions and Administration:

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Laws govern obligations of employers and employees to contribute, and benefits to employees. The Systems issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to the New York State and Local Retirement Systems, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

C. Pension Plans:

a. General Information:

The Library System participates in the New York State Employees' Retirement System (NYSERS). These are cost-sharing, multiple-employer public employee

DECEMBER 31, 2021

NOTE 8 – PENSION PLANS (CONTINUED):

retirement systems. The System offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

b. Plan Description:

The Library System participates in the New York State and Local Employee's Retirement System (ERS), which is collectively referred to as New York State and Local Retirement System (the System). This is cost-sharing, multiple-employer retirement system. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Library System also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

c. Benefits Provided:

The System provides retirement benefits as well as death and disability benefits.

i. Tiers 1 and 2:

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years.

If the member retires with 20 or more years of service, benefit is 2 percent of final average salary for each year of service. Tier 2 members

DECEMBER 31, 2021

NOTE 8 – PENSION PLANS (CONTINUED):

with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

ii. Tiers 3, 4, and 5:

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

iii. Tier 6:

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

DECEMBER 31, 2021

NOTE 8 – PENSION PLANS (CONTINUED):

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

iv. Ordinary Disability Benefits:

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

v. Accidental Disability Benefits:

For all eligible Tier 1 and Tier 2 ERS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

vi. Ordinary Death Benefits:

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefits available.

vii. Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-

DECEMBER 31, 2021

NOTE 8 – PENSION PLANS (CONTINUED):

half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

d. Funding Policy:

The Systems are noncontributory except for employees who joined the New York and Local Employee's Retirement System after July 27, 1976 and who contribute 3% of their salary for the first ten years of membership and employees who joined after January 1, 2010 (ERS) and before April 1, 2012, contribute 3% of their salary throughout their active membership. Those joining NYSERS on or after April 1, 2012 are required to contribute between 3% and 6% dependent upon their salary for their entire career. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Library System is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

March 31, 2021	\$	138,324
March 31, 2020	\$	127,489
March 31, 2019	\$	117,756

The Library System's contributions made to the Systems were equal to 100 percent of the contributions required for each year.

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

At December 31, 2021, the Library System reported a liability for its proportionate share of the net pension liability for each of the System. The net pension liability was measured as of March 31, 2021, 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 position 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.

This information was provided by the ERS System in reports provided to the Library System.

See independent auditor's report.

THE MID-HUDSON LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Draft for Review
Purposes 5/25/2022

DECEMBER 31, 2021

NOTE 8 – PENSION PLANS (CONTINUED):

	<u>ERS</u>
Actuarial Valuation Date	4/1/2020
Net Pension Asset/(Liability)	\$ (3,644)
Town's Portion of the Plan's Total Net Pension Asset/(Liability)	0.0036599%

For the year ended December 31, 2021, the Library System recognized pension expense of \$82,936 for ERS, within the entity-wide financial statements. At December 31, 2021, 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 ERS</u>	<u>Deferred Inflows of Resources ERS</u>
Differences Between Expected and Actual Experience	\$ 44,507	\$ -
Changes of Assumptions	670,071	12,638
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,046,860
Changes in Proportion and Differences Between the Library's Contributions and Proportionate Share of Contributions	38,564	17,155
Library's Contributions Subsequent to the Measurement Date	<u>149,169</u>	<u>-</u>
Total	<u>\$ 902,311</u>	<u>\$ 1,076,653</u>

\$149,169 for ERS were reported as deferred outflows of resource related to pensions resulting from Library System contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>
Year Ended:	
2022	\$ (60,764)
2023	(17,714)
2024	(49,952)
2025	(195,081)
2026	-
Thereafter	<u>-</u>
	<u>\$ (323,511)</u>

See independent auditor's report.

DECEMBER 31, 2021

NOTE 8 – PENSION PLANS (CONTINUED):

i. Actuarial Assumptions:

The total pension liability at March 31, 2021 was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following assumptions:

	<u>ERS</u>
Measurement Date	March 31, 2021
Actuarial Valuation Date	April 1, 2020
Interest Rate	5.90%
Salary Scale	4.40%
Decrement Tables	April 1, 2015 - March 31, 2020
	System's Experience
Inflation Rate	2.70%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2020.

The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long term rate of return on pension plan investments was determined using a building block method in which the 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 by each of the target asset allocation percentages and by adding expected inflation.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2021 are summarized below:

DECEMBER 31, 2021

NOTE 8 – PENSION PLANS (CONTINUED):

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	32%	4.05%
International Equity	15%	6.30%
Private Equity	10%	6.75%
Real Estate	9%	4.95%
Alternative Investments	3%	4.50%
Total Equities	69%	
Domestic Fixed Income Securities	0%	0.00%
Global Fixed Income Securities	0%	0.00%
Real Assets	3%	5.95%
Bonds and Mortgages	23%	0.00%
Short-Term	1%	0.50%
Inflation-Indexed Bonds	4%	3.63%
Total Fixed Income	31%	
Total	100%	

ii. Discount Rate:

The discount rate used to calculate the total pension liability was 5.90 % for ERS. 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 the assumptions, the Systems' 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.

iii. Sensitivity of the Proportionate Share of the Net Pension 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 5.90% for ERS, as well as what the Library System's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.90% for ERS) or 1-percentage point higher (6.90% for ERS) than the current rate:

DECEMBER 31, 2021

NOTE 8 – PENSION PLANS (CONTINUED):

ERS	1% Decrease	Current	1% Increase
	(4.90%)	Assumption (5.90%)	(6.90%)
Employer's Proportionate Share of the Net Pension (Asset) Liability	\$ 1,011,519	\$ 3,644	\$ (925,852)

iv. Pension Plan Fiduciary Net Position:

The components of the current-year net pension (asset)/liability of the employers as of March 31, 2021, are as follows:

	(Dollars in the Thousands)	
	ERS	
Valuation Date	4/1/2021	
Employers' Total Pension Liability	\$	220,680,157
Plan Net Position		220,580,583
Employers' Net Pension Liability/(Asset)	\$	99,574
Plan Net Position as a Percentage to the Systems' Total Pension Liability/(Asset)		99.95%

v. Prepayments to the Pension Plan:

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of December 31, 2021 represent the projected employer contribution for the period of April 1, 2021 through December 31, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Prepaid retirement contributions as of December 31, 2021, amounted to \$38,196.

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A. General Information about the OPEB Plans:

Plan Description – The Library System's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the Library System. The plan is a single-employer defined benefit OPEB plan administered by the Library System. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Library System Board. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of Statement 75.

Benefits Provided – The Library System provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the Library System offices and are available upon request.

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NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS (CONTINUED):

Employees Covered by Benefit Terms – At December 31, 2021, the following employees were covered by the benefit terms:

Retired Employees	20
Deceased Employees	1
Active Employees	13
	34

B. Total OPEB Liability:

The Library System’s total OPEB liability of \$4,089,425 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date. Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Discount Rate	2.25%
Healthcare Cost Trend Rates	Pre-65: Ranging from 5.9% to 3.0% for pharmacy, medical, dental and vision for 2021, reducing to an ultimate rate of 4.3% to 3.0% after 10 years Post-65: Same
Retirees' Share of Benefit-Related Costs	Retirees pay based on specific cost sharing agreement

The discount rate was based on a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based Pub-2010 Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2021 through December 31, 2021.

DECEMBER 31, 2021

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS (CONTINUED):

C. Changes in the total OPEB Liability:

Balance at January 1, 2021	\$ 3,954,423
Changes for the Year:	
Service Cost	125,561
Interest	78,083
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	452,377
Changes in Assumptions or Other Inputs	(167,634)
Benefit Payments	<u>(353,386)</u>
Net Changes	<u>135,001</u>
Balance at December 31, 2021	<u>\$ 4,089,424</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Library System, as well as what the Library System’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.25 percent) or 1 percentage point higher (3.25 percent) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	<u>\$ 4,830,665</u>	<u>\$ 4,089,425</u>	<u>\$ 3,514,062</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Library System, as well as what the Library System’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	<u>\$ 3,436,389</u>	<u>\$ 4,089,425</u>	<u>\$ 4,942,038</u>

DECEMBER 31, 2021

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS (CONTINUED):

D. OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended December 31, 2021, the Library System recognized OPEB Expense of \$488,388. The OPEB plan is unfunded and the Library System qualified for and used the Alternative Measurement Method, the Library System did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

NOTE 10 -LONG-TERM LIABILITIES:

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

	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 101,857	\$ -	\$ (6,757)	\$ 95,100	\$ -
Other Postemployment Benefits	3,954,423	135,002	-	4,089,425	-
Pension	863,174	-	(859,530)	3,644	-
Total Long-Term Liabilities	<u>\$ 4,919,454</u>	<u>\$ 135,002</u>	<u>\$ (866,287)</u>	<u>\$ 4,188,169</u>	<u>\$ -</u>

NOTE 11 -RISK MANAGEMENT:

The Library System is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

NOTE 12 -DESIGNATED 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 - Custodial	<u>\$ 222,408</u>
MHLS Capital - General Fund	<u>\$ 190,441</u>

DECEMBER 31, 2021

NOTE 13 – CONTINGENT LIABILITIES:

- A. The Library System received grants, which are subject to audit by agencies of the State and Federal governments. Such audits may result in the disallowances and a request for a return of funds. Based on prior audits, the Library System's administration believes disallowances, if any, will be immaterial.
- B. Risks Related to Coronavirus (COVID-19):

Management continues to evaluate the effects of the COVID-19 matter, considering the facts and circumstances related to the impact of the virus on the Organization's industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Library System's financial position and, results of its operations, the specific impact is not readily available as of the date of these statements.

The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

1. The Library System has complied with guidance issued by Center for Disease Control and will work diligently to continue complying.
2. In February 2021, the Library System received a Paycheck Protection Program ("PPP2") loan of \$304,480 under the CARES Act in response to the economic impact of the COVID-19 global pandemic. The Library System can receive partial or full loan forgiveness if it maintains its employee head count and salary levels, and spends loan proceeds on eligible expenditures, such as payroll and certain operating costs, over a specified period of time. The Library System has complied with the requirements for forgiveness and received approval from the Small Business Administration as of September 22, 2021.

NOTE 14 – PRIOR PERIOD ADJUSTMENT, ADOPTION OF CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF OPENING CAPITAL ASSETS:

For the year December 31, 2021, the Library reclassified funds from the Capital Fund to the General Fund and to the Custodial Fund as part of the adoption of GASB Statement 84. The December 31, 2021 opening fund balance for the Custodial Fund and the General Fund were restated by \$198,310 and \$190,351.

For the year ended December 31, 2021, the District retired the Capital Fund. The transfer of funds requires a transfer of Fund Balance into the Custodial Fund and the General Fund for funds meeting that criteria.

Opening Capital Assets have been restated to account for adjustments to the detail list of assets as reviewed by Administration. The District's fund balance has been restated as follows:

SUPPLEMENTARY INFORMATION

THE MID-HUDSON LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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NOTE 14 – PRIOR PERIOD ADJUSTMENT, ADOPTION OF CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF OPENING CAPITAL ASSETS (CONTINUED):

	Entity-Wide Statements	General Fund	Capital Fund	Custodial Fund
Net Position Beginning of Year, as Previously Stated	\$ (546,060)	\$ 2,564,982	\$ 388,661	\$ 24,160
Replacement with General/Capital Fund under GASB 84	-	190,351	(190,351)	-
Replacement with Custodial/Capital Fund under GASB 84	(198,310)	-	(198,310)	198,310
Restatement of Capital Assets	28,477	-	-	-
Net Position Beginning of Year, as Restated	<u>\$ (715,893)</u>	<u>\$ 2,755,333</u>	<u>\$ -</u>	<u>\$ 222,470</u>

THE MID-HUDSON LIBRARY SYSTEM
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2021

**Draft for Review
 Purposes 6/1/2022**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
REVENUES				
Local Sources:				
Departmental Income	\$ 840,864	\$ 868,364	\$ 901,498	\$ 33,134
Use of Money and Property	18,346	15,846	2,517	(13,329)
Miscellaneous and Local Sources	-	6,136	5,662	(474)
State Sources	1,892,085	2,559,463	2,497,745	(61,718)
Federal Sources	-	342,036	342,036	-
	2,751,295	3,791,845	3,749,458	(42,387)
OTHER FINANCING SOURCES				
Transfers from Other Funds	32,916	32,916	15,606	(17,310)
Appropriated Reserves	-	-	-	-
Designated Fund Balance and Encumbrances				
Carried Forward From Prior Year	212,449	(346,375)	-	346,375
	212,449	(346,375)	-	346,375
Total Revenues and Other Financing Sources	\$ 2,996,660	\$ 3,478,386	\$ 3,765,064	\$ 286,678

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

THE MID-HUDSON LIBRARY SYSTEM
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2021

**Draft for Review
 Purposes 6/1/2022**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance With Budgetary Actual and Encumbrances
<i>EXPENDITURES</i>					
General Governmental Support	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and Recreation	2,295,946	2,761,210	2,621,808	18,622	120,780
Employee Benefits	661,114	677,576	591,492	-	86,084
Total General Support	<u>2,957,060</u>	<u>3,438,786</u>	<u>3,213,300</u>	<u>18,622</u>	<u>206,864</u>
<i>OTHER USES</i>					
Operating Transfers Out	39,600	39,600	39,600	-	-
Total Expenditures and Other Uses	<u>\$ 2,996,660</u>	<u>\$ 3,478,386</u>	<u>3,252,900</u>	<u>\$ 18,622</u>	<u>\$ 206,864</u>
Net Change in Fund Balances			512,164		
Fund Balance - Beginning			<u>2,564,982</u>		
Prior Period Adjustment - See Note 14			<u>190,351</u>		
Fund Balances - Beginning of Year, as Restated			<u>2,755,333</u>		
Fund Balance - Ending			<u>\$ 3,267,497</u>		

See independent auditor's report and notes to the financial statements.

THE MID-HUDSON LIBRARY SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB Liability										
Service Cost	\$ 125,561	\$ 133,788	\$ 122,968	\$ 131,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	78,083	125,637	112,428	68,439	-	-	-	-	-	-
Changes of Benefit Terms	-	-	-	-	-	-	-	-	-	-
Difference between Expected and Actual										
Experience	452,377	(410,878)	122,421	(1,171,006)	-	-	-	-	-	-
Changes of Assumption or other Inputs	(167,634)	874,085	169,087	(1,233,389)	-	-	-	-	-	-
Benefit Payments	(353,386)	(170,492)	(179,083)	(168,916)	-	-	-	-	-	-
Net Change in Total OPEB Liability	135,001	552,140	347,821	(2,373,470)	-	-	-	-	-	-
Total OPEB Liability - Beginning	3,954,423	3,402,283	3,054,462	5,427,932	-	-	-	-	-	-
Total OPEB Liability - Ending	\$ 4,089,424	\$ 3,954,423	\$ 3,402,283	\$ 3,054,462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	1,026,929	1,086,956	1,094,180	1,081,336	-	-	-	-	-	-
Total OPEB Liability as a Percentage of Covered-Employee Payroll	398.22%	363.81%	310.94%	282.47%	-	-	-	-	-	-

Notes to Schedule:

Changes of Assumptions:

Changes of Assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2021	2.25%
2020	2.00%
2019	3.26%
2018	3.64%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

In accordance with New York State Law, the District's Defined Benefit OPEB Plan is not administered through a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75. Accordingly, the System does not have net assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay OPEB benefits. The System currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

THE MID-HUDSON LIBRARY SYSTEM

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
FOR THE NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2021

LAST 10 FISCAL YEARS*

FOR THE NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
The System's Proportion of the Net Pension Liability (Asset)	0.0036599%	0.0032596%	0.0032038%	0.0030850%	0.0032737%	0.0030502%	0.0031189%	-	-	-
The System's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,644	\$ 863,174	\$ 227,000	\$ 106,780	\$ 307,604	\$ 489,559	\$ 105,366	-	-	-
The System's Covered Employee Payroll	\$ 930,625	\$ 989,703	\$ 911,690	\$ 842,405	\$ 1,064,492	\$ 982,136	\$ 936,277	-	-	-
The System's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	0.39%	87.22%	24.90%	12.68%	28.90%	49.85%	11.25%	-	-	-
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	-	-	-

THE MID-HUDSON LIBRARY SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE LOCAL GOVERNMENT'S CONTRIBUTIONS
FOR THE NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2021

LAST 10 FISCAL YEARS

FOR THE NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 138,324	\$ 127,489	\$ 117,756	\$ 112,248	\$ 102,879	\$ 114,645	\$ 94,003	-	-	-
Contributions in Relation to the Contractually Required Contribution	\$ 138,324	\$ 127,489	\$ 117,756	\$ 112,248	\$ 102,879	\$ 114,645	\$ 94,003	-	-	-
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
The System's Covered Employee Payroll	\$ 930,625	\$ 989,703	\$ 911,690	\$ 842,405	\$ 1,064,492	\$ 982,136	\$ 936,277	-	-	-

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

To the Board of Trustees
The Mid-Hudson Library System
Poughkeepsie, NY 12601

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Mid-Hudson Library System, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise The Mid-Hudson Library System's basic financial statements, and have issued our report thereon dated DATE.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Mid-Hudson Library System's internal control. Accordingly, we do not express an opinion on the effectiveness of The 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.

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

However, providing an opinion on compliance with those 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

Hudson, New York

DATE