

FINANCIAL REPORT
AUDITED
MID-HUDSON LIBRARY SYSTEM
For the Year Ended December 31, 2020

Audited for:

Board of Trustees
MID-HUDSON LIBRARY SYSTEM

DRAFT

Audited By:
RBT CPAs, LLP
11 Racquet Road
Newburgh, NY 12550
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MID HUDSON LIBRARY SYSTEM, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Mid-Hudson Library System
103 Market Street
Poughkeepsie, NY 12601

Report on the Financial Statements

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 (the "Library System") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Library System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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, 2020, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note XIV to the financial statements, the spread of the global pandemic, coronavirus disease (COVID-19) has created economic uncertainty.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedule of Changes in Total OPEB Liability and Related Ratios, Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Pension Contributions on pages 3-8 and 35-38, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated **July 14, 2021**, on our consideration of Mid-Hudson Library System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mid-Hudson Library System's internal control over financial reporting and compliance.

Newburgh, NY

July 14, 2021

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

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, 2020. 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, Mid-Hudson Library System, 103 Market Street, Poughkeepsie, NY 12601.

Financial Highlights

- The Library System's net position was \$(546,060) at December 31, 2020.
- The total net position decreased by \$(269,1204) during the year ended December 31, 2020.
- At December 31, the Library System's proportionate share of the net pension liability for ERS was \$863,174 and its OPEB liability was \$3,954,423.
- As of the close of the current year, the Library System's governmental funds reported an ending fund balance of \$2,951,469, an increase of \$449,271 in comparison with the prior year.
- At the end of the current year, unassigned fund balance for the General Fund was \$2,188,396.

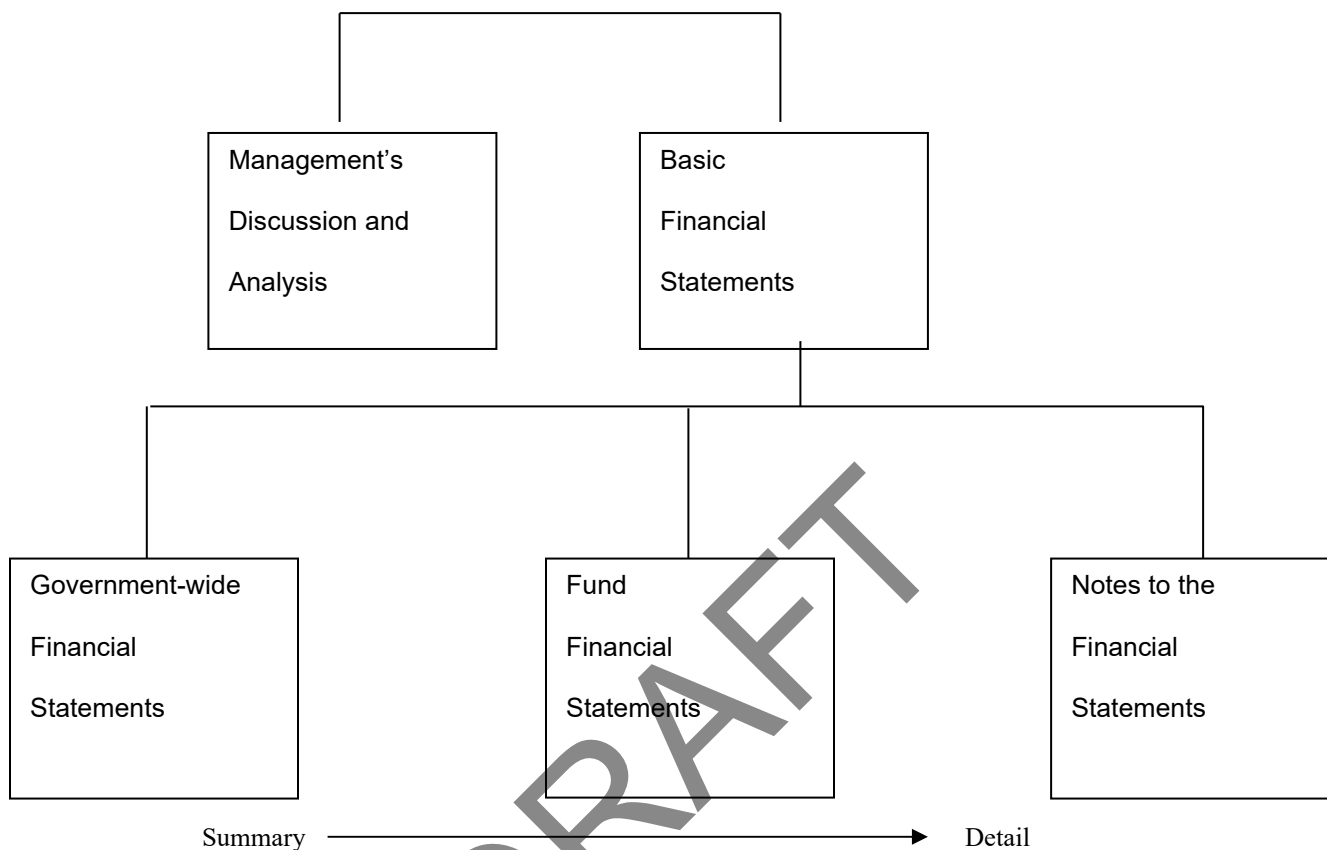
Overview of the Financial Statements

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.

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

Required Components of the Library System's Basic Financial Statements

Figure 1



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.

**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 county 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.

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

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

	2020	2019	\$ Change	% Change
Current Assets	\$ 3,175,362	\$ 2,611,952	\$ 563,410	21.57%
Capital Assets	837,558	874,603	(37,045)	-4.24%
Total Assets	4,012,920	3,486,555	526,365	15.10%
Deferred Outflows of Resources	619,784	202,163	417,621	206.58%
Total Assets and Deferred Outflows of Resources	4,632,704	3,688,718	943,986	25.59%
Current Liabilities	223,893	109,754	114,139	104.00%
Long-Term Liabilities	4,919,454	3,746,663	1,172,791	31.30%
Total Liabilities	5,143,347	3,856,417	\$ 1,286,930	33.37%
Deferred Inflows of Resources	35,417	109,157	(73,740)	-67.55%
Net Position:				
Net Investment in Capital Assets	837,558	874,603	(37,045)	-4.24%
Unrestricted	(1,383,618)	(1,151,459)	(232,159)	20.16%
Total Net Position	\$ (546,060)	\$ (276,856)	\$ (269,204)	97.24%

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

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

	2020	%	2019	%	\$ Change	% Change
Revenues:						
Program Revenues:						
Charges for Services	\$ 830,428	23.73%	\$ 755,383	21.65%	\$ 75,045	9.93%
Operating Grants	13,903	0.40%	17,743	0.50%	(3,840)	-21.64%
General Revenues:						
Use of Money and Property	6,467	0.18%	24,627	0.71%	(18,160)	-73.74%
Miscellaneous	32,197	0.92%	91,103	2.61%	(58,906)	-64.66%
State Sources	2,617,030	74.77%	2,600,285	74.53%	16,745	0.64%
Total Revenues	3,500,025	100.00%	3,489,141	100.00%	10,884	0.31%
Expenses:						
Library Services	3,769,229	100.00%	3,718,630	100.00%	50,599	1.36%
Total Expenses	3,769,229	100.00%	3,718,630	100.00%	50,599	1.36%
Increase/(Decrease) in Net Position	\$ (269,204)		\$ (229,489)		\$ (39,715)	17.31%

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

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 balance of the General Fund was \$2,188,396. 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 72.1% percent of total General Fund expenditures.

At December 31, 2020, the governmental funds of the Library System reported a combined fund balance of \$2,951,469, an 18 percent increase over the prior year end. All 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 decreased by the Board of Trustees during the year by \$386,943, based on a mid-year budget review and the impact of a projected drop in state aid. However, due to restorations in state aid and the forgiveness of the Paycheck Protection Program loan of \$214,747, the Library System's actual revenues exceeded the amended budget by \$526,096.

In reviewing the actual results of operations for the General Fund for the year ended December 31, 2020, as compared to the adjusted budget, expenditures were \$85,398 over the amended budget, primarily due to member library grants being higher than the projected reduction.

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, 2020 was \$837,558. The capital assets include land, buildings, equipment, furniture and fixtures, and construction in process. The Library's depreciation expense for the year was \$37,045 and represented the decrease over the prior year. There were no capital asset additions during the year.

MID-HUDSON LIBRARY SYSTEM
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 2,530,554
State and Federal Aid Receivable	519,246
Accounts Receivable	1,026
Prepaid Expenditures	124,536
	3,175,362
Capital Assets, Not Being Depreciated	10,000
Capital Assets, Being Depreciated, Net	827,558
Total Capital Assets, Net (Note V)	837,558
Total Assets	4,012,920
DEFERRED OUTFLOWS OF RESOURCES	
Pension (Note VI)	619,784
Total Deferred Outflows of Resources	619,784
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	4,632,704
LIABILITIES	
Accounts Payable	12,350
Accrued Liabilities	159,584
Unearned Revenue	51,959
Noncurrent Liabilities:	
Net Pension Liability (Note VI)	863,174
Compensated Absences (Note VIII)	101,857
Other Post Employment Benefits (Note VII)	3,954,423
Total Liabilities	5,143,347
DEFERRED INFLOWS OF RESOURCES	
Pension (Note VI)	35,417
Total Deferred Inflows of Resources	35,417
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	5,178,764
NET POSITION	
Net Investment in Capital Assets	837,558
Unrestricted	(1,383,618)
TOTAL NET POSITION	\$ (546,060)

See notes to the basic financial statements.

**MID-HUDSON LIBRARY SYSTEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			
		Charges for	Operating	Capital	
	Expenses	Services	Grants and Contributions	Grants and Contributions	Governmental Activities
<u>FUNCTIONS/PROGRAMS</u>					
Governmental Activities:					
Library Services	\$ (3,769,229)	\$ 830,428	\$ 13,903	\$ -	\$ (2,924,898)
Total Governmental Activities	\$ (3,769,229)	\$ 830,428	\$ 13,903	\$ -	(2,924,898)
General Revenues:					
Use of Money and Property					6,467
Miscellaneous					32,197
State Sources					2,617,030
Total General Revenues					2,655,694
Change in Net Position					(269,204)
Net Position - Beginning					(276,856)
Net Position - Ending					\$ (546,060)

See notes to the basic financial statements.

**MID-HUDSON LIBRARY SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Capital	Special Aid	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,128,832	\$ 388,636	\$ 13,086	\$ 2,530,554
State and Federal Aid Receivable	519,246	-	-	519,246
Accounts Receivable	1,001	25	-	1,026
Prepaid Expenses	124,536	-	-	124,536
Total Assets	\$ 2,773,615	\$ 388,661	\$ 13,086	\$ 3,175,362
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 12,350	\$ -	\$ -	\$ 12,350
Accrued Liabilities	159,584	-	-	159,584
Unearned Revenue	36,699	-	15,260	51,959
Total Liabilities	208,633	-	15,260	223,893
Fund Balance:				
Nonspendable	124,536	-	-	124,536
Fund Balance - Assigned:				
Appropriated for 2021 Budget	212,450	-	-	212,450
Capital	39,600	388,661	-	428,261
Fund Balance - Unassigned	2,188,396	-	(2,174)	2,186,222
Total Fund Balances	2,564,982	388,661	(2,174)	2,951,469
Total Liabilities and Fund Balances	\$ 2,773,615	\$ 388,661	\$ 13,086	\$ 3,175,362

See notes to the basic financial statements.

MID-HUDSON LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Total Governmental Funds	Long-Term Assets and Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash and Cash Equivalents	\$ 2,530,554	\$ -	\$ -	\$ 2,530,554
State and Federal Aid Receivable	519,246	-	-	519,246
Accounts Receivable	1,026	-	-	1,026
Prepaid Expenses	124,536	-	-	124,536
Capital Assets, Net	-	837,558	-	837,558
Total Assets	3,175,362	837,558	-	4,012,920
Deferred Outflows of Resources	-	619,784	-	619,784
Total Assets and Deferred Outflows of Resources	\$ 3,175,362	\$ 1,457,342	\$ -	\$ 4,632,704
LIABILITIES				
Accounts Payable	\$ 12,350	\$ -	\$ -	\$ 12,350
Accrued Expenditures	159,584	-	-	159,584
Unearned Revenue	51,959	-	-	51,959
ERS Net Pension Liability-Proportionate Share	-	863,174	-	863,174
Compensated Absences	-	101,857	-	101,857
Other Postemployment Benefits	-	3,954,423	-	3,954,423
Total Liabilities	223,893	4,919,454	-	5,143,347
Deferred Inflows of Resources	-	35,417	-	35,417
Total Fund Balances	2,951,469	(3,497,529)	-	(546,060)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position	\$ 3,175,362	\$ 1,457,342	\$ -	\$ 4,632,704

See notes to the basic financial statements.

MID-HUDSON LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General	Capital	Special Aid	Total Governmental Funds
Revenues:				
Charges for Services	\$ 830,428	\$ -	\$ -	\$ 830,428
Use of Money and Property	5,641	826	-	6,467
Miscellaneous	32,197	-	-	32,197
State and Federal Sources	2,617,030	-	13,903	2,630,933
Total Revenues	3,485,296	826	13,903	3,500,025
Expenditures:				
Personal Services	1,086,956	-	-	1,086,956
Equipment and Capital Outlay	9,817	-	-	9,817
Contractual Expenditures	1,315,423	-	13,486	1,328,909
Employee Benefits	625,072	-	-	625,072
Total Expenditures	3,037,268	-	13,486	3,050,754
Excess (Deficiency) of Revenues Over Expenditures	448,028	826	417	449,271
Other Financing Sources/(Uses):				
Operating Transfers In	32,270	39,600	-	71,870
Operating Transfers Out	(39,600)	(32,270)	-	(71,870)
Total Other Financing Sources/(Uses)	(7,330)	7,330	-	-
Change in Fund Balances	440,698	8,156	417	449,271
Fund Balances - Beginning	2,124,284	380,505	(2,591)	2,502,198
Fund Balances - Ending	\$ 2,564,982	\$ 388,661	\$ (2,174)	\$ 2,951,469

See notes to the basic financial statements.

MID-HUDSON LIBRARY SYSTEM
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Total Governmental Funds	Long-Term Revenue, Expenses	Capital Asset Related Items	Reclassifications and Eliminations	Statement of Activities Totals
Revenues:					
Charges for Services	\$ 830,428	\$ -	\$ -	\$ -	\$ 830,428
Operating Grants and Contributions	-	-	-	13,903	13,903
Use of Money and Property	6,467	-	-	-	6,467
Miscellaneous	32,197	-	-	-	32,197
State Sources	2,630,933	-	-	(13,903)	2,617,030
Total Revenues	3,500,025	-	-	-	3,500,025
Expenditures:					
Personal Services/Library Services	1,086,956	-	37,045	2,637,412	3,761,413
Equipment and Capital Outlay	9,817	-	-	(2,001)	7,816
Contractual Expenditures	1,328,909	-	-	(1,328,909)	-
Employee Benefits	625,072	681,430	-	(1,306,502)	-
Total Expenditures	3,050,754	681,430	37,045	-	3,769,229
Other Financing Sources/(Uses):					
Operating Transfers In	71,870	-	-	(71,870)	-
Operating Transfers Out	(71,870)	-	-	71,870	-
Total Other Financing Sources/(Uses)	-	-	-	-	-
Change in Fund Balances/Net Position	\$ 449,271	\$ (681,430)	\$ (37,045)	\$ -	\$ (269,204)

See notes to the basic financial statements.

MID-HUDSON LIBRARY SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020

	Custodial Funds
ASSETS	
Cash	\$ 24,159
Total Assets	\$ 24,159
NET POSITION	
Restricted for Member Libraries	\$ 24,159
Total Net Position	\$ 24,159

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See notes to the basic financial statements.

MID-HUDSON LIBRARY SYSTEM
STATEMENT OF CHANGES IN FUDICIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

	Custodial Funds
Additions:	
Grants Held for Member Libraries	\$ 64,977
Total Additions	64,977
Deductions:	
Disbursements to Member Libraries	140,281
Total Deductions	140,281
Change in Net Position	(75,304)
Net Position - Beginning	99,463
Net Position - Ending	\$ 24,159

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See notes to the basic financial statements.

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Library System is a State sponsored organization which works cooperatively with member libraries in Dutchess, Columbia, Greene, Putnam, and Ulster Counties to establish a set of uniform standards and equity of access throughout the service community.

The Library System provides centralized automation, consulting and support services, coordinates and facilitates cooperation among member libraries, and is engaged in advocacy for and promotion of public libraries.

The Library System, for financial purposes, includes all of the funds relevant to the operations of the Library System. The financial statements include organizations, functions and activities that are controlled by or dependent upon the Library System. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing Board. Under these criteria, no other entities are included in the Library System's financial statements.

The accounting policies of the Library System conform to accounting principles generally accepted in the United States of America for governmental units as established by the Governmental Accounting Standards Board ("GASB"). The notes to the financial statements are an integral part of the statements and are intended to be read with them.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net position and activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The following fund types are used by the Library System:

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the governmental funds of the Library System:

- a. *General Fund* is the general operating fund of the Library System. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund and is presented separately.
- b. *Capital Fund* is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- c. *Special Aid Fund* is used to account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes.

2. Fiduciary Fund

Fiduciary Fund is used to account for fiduciary activities. Fiduciary activities are those in which the Library System acts as a trustee or agent for resources that belong to others. These activities are not included in the government-wide financial statements, because their resources do not belong to the Library System, and are not available to be used.

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Pervasiveness of Estimates

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

E. Budgetary Data

The Library System administration prepares a proposed budget for approval by the Board of Trustees for the General Fund. Appropriations are adopted at the program line item level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

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

F. Cash and Investments

The Library System's investment policies are governed by State statutes. In addition, the Library System has its own written investment policy. The Library System's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Library System is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit 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 school districts.

G. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material. All receivables recorded in the governmental fund's balance sheet are expected to be collected within sixty days of year end.

H. Due To/From Other Funds

Amounts due to and due from within the same fund type have been eliminated in the Government-wide statements. See Note IV for a schedule detailing the interfund balances.

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Capital Assets

Capital assets are reported at historical cost. The Library System depreciates capital assets using the straight line method over the estimated useful lives of the assets. Capitalization thresholds and estimated lives of assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Furniture, Fixtures and Equipment	\$ 1,000	5-10 Years
Vehicles	1,000	5-8 Years
Buildings and Improvements	1,000	30 Years

J. Vested Employee Benefits

Library System employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee may be entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations. A liability for accrued vacation and sick time is reflected in the Government-wide statements under the heading "Compensated Absences." See Note VIII.

The Library System's employees participate in the New York State Employees' Retirement System. See Note VI.

In addition to providing pension benefits, the Library System provides health insurance coverage for retired employees. Substantially all of the Library System's employees may become eligible for these benefits if they reach normal retirement age and at least 5 years of service while working for the Library System. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year for the Library System. The Library System recognizes the cost of providing benefits by recording its share of insurance premiums as a governmental fund expenditure in the year paid. See Note VII.

K. Risk Retention

The Library System assumes the liability for most risk including, but not limited to, property damage and personal injury liability. The Library System purchases commercial insurance to mitigate these risks, subject to certain deductibles. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

L. Paycheck Protection Program

The Library System has accounted for its Paycheck Protection Program ("PPP") loan proceeds as revenue. As of December 31, 2020, the Library System received forgiveness from the Small Business Administration ("SBA") to release the Library System from any requirement to re-pay the loan.

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

M. Equity Classification

1. Government-Wide Statements

Equity is defined as net position and displayed in three components:

- Net Investment in Capital Assets

Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

- Restricted Net Position

Consists of net assets with constraints placed on the use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

- Unrestricted Net Position

The remaining portion of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

2. Fund Financial Statements

Equity is defined as fund balance and displayed in five fund balance classifications, which are based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in the governmental funds:

Nonspendable:

Amounts that cannot be spent in the current period either because of their form or because they must be maintained intact. Prepaid expenses are nonspendable assets because, by definition, the money has already been spent.

Restricted:

Amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments or through constitutional provisions or enabling legislation.

Committed:

Amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority (the Board of Trustees) before the end of the year. The same level of formal action is required to remove the constraint.

Assigned:

Amounts that are subject to a purpose constraint that represents an intended use established by the government’s highest level of decision-making authority or by its designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned:

Represents the residual amount of fund balance in the General Fund. In funds other than the General Fund, this classification should only be used to report a deficit balance.

**MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

M. Equity Classification - continued

3. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the Library System's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements. Similarly, when an expenditure is incurred for which multiple classifications of fund balance are available, the Library System's policy is to apply fund balance in the following order: restricted, committed, assigned, unassigned.

N. 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. A detailed description of the individual fund transfers that occurred during the year is provided in Note IV.

O. Subsequent Events

Management has evaluated subsequent events from December 31, 2020, through **July 14, 2021**, the date on which the financial statements were available to be issued.

II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The differences result primarily from the economic focus of the government-wide statements, 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 Funds Balance Sheet.

The basic financial statements contain a detailed reconciliation of the items creating the differences between fund balance reported in the Governmental Funds Balance Sheet and Net Position reported on the Statement of Net Position.

(1) The costs of building and acquiring capital assets (land, infrastructure, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Library System as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives.

Original Cost of Capital Assets	\$ 1,163,946
Accumulated Depreciation	<u>(326,388)</u>
Capital Assets, Net	<u><u>\$ 837,558</u></u>

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS - CONTINUED

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

Net Employee Retirement System	\$ 863,174
Compensated Absences Payable	101,857
Other Postemployment Benefits	3,954,423
	<u>\$ 4,919,454</u>

- (3) 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>\$ 619,784</u>
Deferred Inflow of Resources	<u>\$ 35,417</u>

B. Explanation of Differences between Governmental Funds Operating Statement and the 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 broad categories:

- 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 use a current financial resource measurement focus, whereas the Statement of Activities uses an economic resource measurement focus.
- Capital asset transaction differences include the difference between recording an expenditure for the purchase of capital assets in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.
- The basic financial statements contain a detailed reconciliation of the items creating the differences between the change in fund balance reported in the governmental fund statements and the change in net position reported in the Statement of Activities.

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS - CONTINUED

B. Explanation of Differences between Governmental Funds Operating Statement and the Statement of Activities - continued

Total Expenditures

Total expenditures reported in governmental funds	\$ 3,050,754
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In the Statement of Activities, certain operating expenses (compensated absences and retirement incentives) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which the liability for compensated absences decreased during the year.

(15,523)

In the Statement of Activities, the expense for other postemployment benefits is measured based on the change in the actuarially determined OPEB liability of the Library System. In the governmental funds, however, these expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which the change in the OPEB liability exceeded the amount of financial resources used during the year.

552,140

In the Statement of Activities, pension expense related to the ERS defined benefit plan is measured as the change in the Library System's proportionate shares of the net pension assets, liabilities, deferred outflows, and deferred inflows as of the measurement date. In the governmental funds, however, these expenditures are recognized as the sum of (1) amounts paid by the employer to the pension plan, and (2) the change between beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. This is the amount by which pension expense was less than the amount of financial resources expended during the year.

144,807

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the year they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation, \$37,045, exceeded capital expenditures, \$0, in the current year.

37,045

Total Expenses in the Statement of Activities	<u><u>\$ 3,769,223</u></u>
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MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

III. CASH

At December 31, 2020, the carrying amount of the Library System's deposits (cash, certificates of deposit and interest-bearing savings accounts) was \$2,554,663 and the bank balance was \$2,651,953. The Library System's deposits at December 31, 2020, and during the year then ended, were entirely covered by FDIC Insurance or by pledged collateral held by the Library System's agent bank in the Library System's name. Petty cash is included in cash and cash equivalents and totaled \$50 at year end.

IV. INTERFUND ACTIVITY

There were no interfund receivables or payables at December 31, 2020.

Interfund revenues and expenditures at December 31, 2020 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 32,270	\$ 39,600
Capital Fund	39,600	32,270
Total Governmental Activities	<u>\$ 71,870</u>	<u>\$ 71,870</u>

V. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2020 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total Capital Assets, Not Being Depreciated	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Capital Assets, Being Depreciated:				
Building	967,054	-	-	967,054
Equipment, Furniture and Fixtures	186,892	-	-	186,892
Total Capital Assets Being Depreciated	<u>1,153,946</u>	<u>-</u>	<u>-</u>	<u>1,153,946</u>
Accumulated Depreciation for:				
Building, Equipment, and Furniture and Fixtures	(289,343)	(37,045)	-	(326,388)
Total Accumulated Depreciation	<u>(289,343)</u>	<u>(37,045)</u>	<u>-</u>	<u>(326,388)</u>
Total Capital Assets, Being Depreciated, Net	<u>864,603</u>	<u>(37,045)</u>	<u>-</u>	<u>827,558</u>
Total Capital Assets, Net	<u>\$ 874,603</u>	<u>\$ (37,045)</u>	<u>\$ -</u>	<u>\$ 837,558</u>

Depreciation expense was all charged to the Library Services program.

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

VI. PENSION PLANS

Plan Description

The Library System participates in the New York State and Local Employees' Retirement System ("ERS"), a cost-sharing multiple-employer retirement system. ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York ("Comptroller") serves as sole trustee and administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

Funding Policy

ERS is noncontributory except for Tier 3, 4, 5 and 6 employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% to 6% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates, expressed as proportions of member payroll and employer contributions, used in computing the contributions required to be made by employers to the pension accumulation fund. An Eligible Tier 3 or 4 member with ten or more years of membership, or ten years credited service, will not be required to contribute to the Retirement System. Tier 5 and 6 members must continue to contribute throughout their employment.

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

<u>Plan Year Ended March 31</u>	<u>ERS</u>
2020	\$ 127,489
2019	\$ 117,756
2018	\$ 112,248

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

At December 31, 2020, the Library System reported a liability of \$863,174 for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2020 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Library System's proportion of the net pension liability was based on a projection of the Library System's long-term share of contributions to ERS relative to the projected contributions of all participating members, as actuarially determined. This information was provided to the Library System by ERS.

At March 31, 2020, the Library System's proportion was .0032596 percent of the Employees' Retirement System liability.

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

VI. PENSION PLANS – CONTINUED

For the year ended December 31, 2020, the Library System recognized pension expense of \$280,426. At December 31, 2020, the Library System reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 50,801	\$ -
Changes of Assumptions	17,380	15,008
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	442,505	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,355	20,409
Employer Contributions Subsequent to the Measurement Date	103,743	-
Total	<u>\$ 619,784</u>	<u>\$ 35,417</u>

The Library System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2021	\$ 74,471
2022	119,062
2023	157,764
2024	129,327
	<u>\$ 480,624</u>

Actuarial Assumptions

The total pension liability as of the measurement date 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.

Significant actuarial assumptions used in the valuations were as follows:

	ERS
Measurement Date	March 31, 2020
Investment Rate of Return	6.80% compounded annually net of investment expense
Projected Salary Increases	4.20%
Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation Rate	2.50%
Mortality Improvement	Society of Actuaries Scale MP - 2018

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

VI. PENSION PLANS – CONTINUED

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for the retirement system are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	4.05%
International Equity	6.15
Private Equity	6.75
Real Estate	4.95
Absolute Return Strategies	3.25
Opportunistic Portfolio	4.65
Real Assets	5.95
Bonds and Mortgages	0.75
Cash	0.00
Inflation-indexed Bonds	0.50

Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. 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, ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Library System's proportionate share of ERS net pension liability calculated using the discount rates referred to above, as well as what the Library System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate referred to above:

	<u>1% Decrease (5.8%)</u>	<u>Current Discount (6.8%)</u>	<u>1% Increase (7.8%)</u>
Library System's Proportionate Share of the Net ERS Pension (Liability)/Asset	\$ (1,584,168)	\$ (863,174)	\$ (199,135)

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

VI. PENSION PLANS – CONTINUED

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2020, were as follows:

	<u>Dollars in Thousands</u>
	<u>Employees'</u>
	<u>Retirement</u>
	<u>System</u>
Employers' Net Pension Liability	\$ (194,596,261)
Plan Net Position	168,115,682
Employers' Net Pension Liability	<u>\$ (26,480,579)</u>
Ratio of Plan Net Position to the	
Employers' Total Pension Liability	86.39%

Payables to the Pension Plan

Employer contributions for the plan year ended March 31, 2021 were paid to ERS in December 2020. Prepaid retirement contributions as of December 31, 2020 amounted to \$34,581.

VII. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Library System provides postemployment health insurance coverage to retired employees through a self-administered single employer plan in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the Library System's contractual agreements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The plan does not issue a stand-alone financial report.

Benefits Provided

The Library System's OPEB plan subsidizes the cost of healthcare to eligible retired employees and their spouses and dependent children. Eligibility is based on the respective rules of the New York State and Local Employees Retirement System (ERS) as well as the provisions of the Library System's agreements with its employees. The following eligibility rules currently apply to the Library System's employees:

Group	Provider Options	Hire Date	Years of Service
Management/CSEA	NYSHIP	Post 10/1/16	20
		9/1/12-9/30/16	15
		9/1/03-9/1/12	10
		Pre 9/1/2003	5
Management/CSEA	MVP	Retire pre-2006	5
	NYSHIP	Retire pre-2006	5
Management/CSEA	NYSHIP	Retire pre 3/31/13	10

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

VII. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Medical and prescription drug benefits are offered to retirees on a Library-subsided basis. Upon attaining age 65 or upon disability retirement, Medicare (Parts A and B) becomes the primary provider for hospital insurance and supplementary medical insurance, with the Library System's plan providing an additional layer of coverage. The Library System reimburses retirees and their spouses for Medicare Part B premiums, but not those of surviving spouses for employees who retire after March 31, 2013.

The benefit terms are dependent on which contract covers each employee. Contribution rates for new retirees are as follows:

Group	Provider Options	Hire Date	Salary		Library System Contributions (Fixed)			
					Individual	Spouse	Individual and Children	Family
Management /CSEA	NYSHIP	Active Employees	Up to \$54,999	Subscriber and Spouse under 65	\$ 944.12	N/A	N/A	\$2,029.44
				Subscriber or Spouse Over 65	N/A	N/A	N/A	1,439.09
				Subscriber and Spouse Over 65	355.57	N/A	N/A	924.92
			\$55,000-76,999	Subscriber and Spouse under 65	\$ 908.00	N/A	N/A	\$2,029.44
				Subscriber or Spouse Over 65	N/A	N/A	N/A	1,439.09
				Subscriber and Spouse Over 65	341.97	N/A	N/A	924.92
			\$77,000 and up	Subscriber and Spouse under 65	877.05	N/A	N/A	1,933.94
				Subscriber or Spouse Over 65	N/A	N/A	N/A	1,280.35
				Subscriber and Spouse Over 65	330.31	N/A	N/A	829.13
	NYSHIP	Retire pre 3/31/13	N/A	Subscriber and Spouse under 65	773.87	N/A	N/A	1,790.69
				Subscriber or Spouse Over 65	N/A	N/A	N/A	1,308.26
				Subscriber and Spouse Over 65	291.45	N/A	N/A	825.83
	NYSHIP	Retire pre-2006	N/A	Subscriber and Spouse under 65	944.12	N/A	N/A	2,029.44
				Subscriber or Spouse Over 65	N/A	N/A	N/A	1,439.09
				Subscriber and Spouse Over 65	355.57	N/A	N/A	924.92
	MVP	Retire pre 2006	N/A	All Ages	249.57	N/A	N/A	N/A

The Library System's contribution is equivalent to that portion of health insurance premiums paid that are allocated to retirees, estimated to be \$170,492 during the year ended December 31, 2020.

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

VII. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Employees Covered by Benefit Terms

At December 31, 2020, the following employees were covered by benefit terms:

Active employees	10
Retired	20
Terminated	0
Deceased	1
Total employees covered by benefit terms	<u>31</u>

Total OPEB Liability

The Library System obtained an actuarial valuation report as of December 31, 2020. The liability for other postemployment benefits was measured as of December 31, 2020 and totaled \$3,954,423.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Projected Salary Increases, Including Wage Inflation	2.50%
Discount Rate	2.00%
Healthcare Cost Trend Rates	Pre-65: Ranging from 5.9% to 3.0% for pharmacy, medical, dental and vision for 2020, reduced incrementally to an ultimate rate of 4.3% to 3.0% after 10 years Post-65: Same
Current Retiree's Share of Benefit Related Costs	Retirees pay based on specific cost sharing agreement

- The discount rate was based on a review of the yield derived from the 20 Year AA Municipal GO Bond Rate Index per Fidelity Investments.
- Mortality Rates were based on Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.
- The actuarial assumptions used in the December 31, 2020 valuation were derived in part from data maintained by the US Office of Personnel Management.

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

VII. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Changes in the Total OPEB Liability during the year ended December 31, 2020:

Balance - Beginning	\$ 3,402,283
Changes for the Year:	
Service Cost	133,788
Interest	125,637
Effect of Economic/ Demographic Gains or Losses	(410,878)
Changes in Assumptions or Other Inputs	874,085
Benefit Payments	(170,492)
Net Changes	<u>552,140</u>
Balance - Ending	<u>\$ 3,954,423</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table 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 or higher than the current discount rate.

	1% Decrease 1.00%	Discount Rate 2.00%	1% Increase 3.00%
Total OPEB Liability	\$ 5,076,359	\$ 3,954,423	\$ 3,658,655

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table 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 healthcare cost trend rate that is 1 percentage point lower or higher than the healthcare cost trend rate.

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 3,545,941	\$ 3,954,423	\$ 5,238,697

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the Library System recognized OPEB expense of \$552,140. 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.

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

VIII. LONG-TERM LIABILITIES

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

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 117,380	\$ -	\$ (15,523)	\$ 101,857	\$ -
Other Postemployment Benefits	3,402,283	552,140	-	3,954,423	-
Pension	227,000	636,174	-	863,174	-
Total Long-Term Liabilities	<u>\$ 3,746,663</u>	<u>\$ 1,188,314</u>	<u>\$ (15,523)</u>	<u>\$ 4,919,454</u>	<u>\$ -</u>

Activity for compensated absences is shown at net due to the impracticality of determining these amounts separately. Payments of compensated absences are dependent upon future factors and, therefore, the timing of such payments cannot be determined. Compensated absences are reflected as a long-term liability in the Statement of Net Position.

IX. OPERATING LEASE

The Library System leases a copier from Toshiba Corporation. The total minimum rental commitment at December 31, 2020, under the lease mentioned above, is due during the following fiscal years:

Year Ending December 31,	Amount
2021	<u>\$ 395</u>

Rental expense included in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the year ended December 31, 2020 related to the lease mentioned above was \$4,740.

X. CONTINGENCIES

Grant Funding

The Library System has received grants which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. Based on past audits, the Library System's administration believes disallowances, if any, will be immaterial.

XI. FIDUCIARY FUND

During 2020, Columbia County and Ulster County used the Library System to distribute funds to libraries in their respective counties. The Library System records these amounts in the custodial fund for their Member Libraries. Activity is recorded as additions and deductions in this fund.

MID-HUDSON LIBRARY SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS

XII. CAPITAL FUNDS

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

Member's Capital	\$ 198,297
MHLS Capital	190,351
Total Capital Funds	<u>\$ 388,648</u>

XIII. PAYCHECK PROTECTION PROGRAM

In May 2020, the Library System received a Paycheck Protection Program (“PPP”) loan of \$214,747 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 the 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.

XIV. UNCERTAINTY

During 2020, local, U.S., and world governments encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. There is unprecedented uncertainty surrounding the duration of the pandemic and its long-term economic ramifications. The Library System exists to provide support to its member libraries. Accordingly, while management cannot quantify the financial and any other impacts to the Library System as of July 14, 2021, management believes that a material impact on the Library System's financial position and results of future operations is reasonably possible, whether reflecting an increased or decreased demand for its services.

XV. NEW REPORTING STANDARDS

In June of 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 84 are effective for reporting periods beginning after June 15, 2021. The Library System has not evaluated the effect of GASB 87 on its financial statements.

In May of 2020, GASB issued Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*. GASB 95 delays the effective date of several standards, including GASB 87, which is now effective for fiscal years beginning after June 15, 2021.

The GASB has also issued Statements 88 – 94, 96 and 97. None of these statements are expected to have a substantive effect on the Library System's financial reporting.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

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MID-HUDSON LIBRARY SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

<u>Total OPEB Liability</u>	12/31/20	12/31/19	12/31/18
Service Cost	\$ 133,788	\$ 122,968	\$ 131,402
Interest	125,637	112,428	68,439
Economic/Demographic Gains or Losses	(410,878)	122,421	(1,171,006)
Changes in Assumptions or Other Inputs	874,085	169,087	(1,233,389)
Benefit Payments	(170,492)	(179,083)	(168,916)
Net Change in Total OPEB Liability	552,140	347,821	(2,373,470)
Total OPEB liability - beginning	3,402,283	3,054,462	5,427,932
Total OPEB liability - ending	\$ 3,954,423	\$ 3,402,283	\$3,054,462
Covered Payroll	\$ 1,086,956	\$ 1,094,108	\$ 1,081,336
Total OPEB Liability as a percentage of covered payroll	363.81%	310.96%	282.47%

Notes to Schedule:

Changes in Assumptions:

Changes in 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:

12/31/18	3.64%
12/31/19	3.26%
12/31/20	2.00%

No assets are accumulated in a Trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

GASB 75 requires that the past 10 years of information be presented. Due to the fact that 2018 was the year of implementation, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 75.

MID-HUDSON LIBRARY SYSTEM
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Plan Year Ended	Proportion of the Net Pension Asset (Liability)	Proportionate Share of the Net Pension Asset (Liability)	Covered Payroll	Net Pension Asset (Liability) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
Employees' Retirement System					
3/31/2020	0.00325960%	\$ (863,174)	\$ 989,703	-87.22%	86.39%
3/31/2019	0.00320380%	\$ (227,000)	\$ 911,690	-24.90%	96.27%
3/31/2018	0.00308500%	\$ (106,780)	\$ 842,405	-12.68%	98.24%
3/31/2017	0.00327370%	\$ (307,604)	\$ 1,064,492	-28.90%	94.70%
3/31/2016	0.00305020%	\$ (489,559)	\$ 982,136	-49.85%	90.70%
3/31/2015	0.00311890%	\$ (105,366)	\$ 936,277	-11.25%	97.95%

GASB 68 requires that the past 10 years of information be presented. Due to the fact that GASB 68 was recently implemented, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

**MID-HUDSON LIBRARY SYSTEM
SCHEDULE OF CONTRIBUTIONS**

Plan Year Ended	Contractually Required Contribution	Actual Employer Contribution	Contribution deficiency (excess)	Covered Payroll	Required Contributions as a Percentage of its Covered Payroll
Employees' Retirement System					
3/31/2020	\$ 127,489	\$ 127,489	\$ -	\$ 989,703	12.88%
3/31/2019	\$ 117,756	\$ 117,756	\$ -	\$ 911,690	12.92%
3/31/2018	\$ 112,248	\$ 112,248	\$ -	\$ 842,405	13.32%
3/31/2017	\$ 102,879	\$ 102,879	\$ -	\$ 1,064,492	9.66%
3/31/2016	\$ 114,645	\$ 114,645	\$ -	\$ 982,136	11.67%
3/31/2015	\$ 94,003	\$ 94,003	\$ -	\$ 936,277	10.04%

GASB 68 requires that the past 10 years of information be presented. Due to the fact that GASB 68 was recently implemented, prior year information is not fully available for 10 years. The data will be accumulated over time and presented according to GASB 68.

MID-HUDSON LIBRARY SYSTEM
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted		Actual Amounts GAAP Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for Services	\$ 794,436	\$ 802,299	\$ 830,428	\$ 28,129
Use of Money and Property	-	8,000	5,641	(2,359)
Miscellaneous	124,943	16,171	32,197	16,026
State and Federal Sources	2,426,764	2,132,730	2,617,030	484,300
Total Revenues	3,346,143	2,959,200	3,485,296	526,096
Expenditures:				
Salaries	1,116,857	1,067,968	1,086,956	(18,988)
Equipment and Capital Outlay	5,200	2,537	9,817	(7,280)
Contractual Expenditures				
Grants	723,928	499,681	609,649	(109,968)
Operations and Maintenance	106,997	76,109	48,886	27,223
Other Contractual	711,301	674,356	656,888	17,468
Employee Benefits				
State Retirement System	139,686	137,286	135,615	1,671
Social Security	84,845	80,981	81,991	(1,010)
Workers Compensation	14,000	14,000	8,627	5,373
Unemployment Insurance	1,300	1,300	-	1,300
Disability Insurance	1,000	1,000	826	174
Medical Insurance	423,699	396,652	398,013	(1,361)
Total Expenditures	3,328,813	2,951,870	3,037,268	(85,398)
Other Financing Sources/(Uses):				
Operating Transfers In	32,270	32,270	32,270	-
Operating Transfers Out	(49,600)	(39,600)	(39,600)	-
Total Other Financing Sources/(Uses)	(17,330)	(7,330)	(7,330)	-
Net Change in Fund Balance	-	-	440,698	440,698
Appropriation of Fund Balance	-	-	-	-
Total Change in Fund Balance	\$ -	\$ -	\$ 440,698	\$ 440,698

**OTHER
REPORTING REQUIRED BY
GOVERNMENT AUDITING
STANDARDS**

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

Board of Trustees
Mid-Hudson Library System
103 Market Street
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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mid-Hudson Library System as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Library System's basic financial statements, and have issued our report thereon dated July 14, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Newburgh, NY

July 14, 2021

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**MID-HUDSON LIBRARY SYSTEM
SCHEDULE OF FINDINGS
DECEMBER 31, 2020**

A. Internal Control Findings

None Noted.

B. Compliance Findings

None noted.

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