

Mid-Hudson Library System
Report to the Board of Trustees
December 31, 2023



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

November 13, 2024

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

We are pleased to present this report related to our audit of the basic financial statements of Mid-Hudson Library System (the "Library System") as of and for the year ended December 31, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Library System's financial reporting process.

This report is intended solely for the information and use of the Board of Trustees and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Library System.

Sincerely,

RBT CPAs, LLP

Shannon M. Mannese, CPA, CFE

Shannon M. Mannese, CPA, CFE
Partner

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Required Communications

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the basic financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States have been described to you in our arrangement letter dated April 22, 2024. Our audit of the basic financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication dated April 22, 2024 regarding the planned scope and timing of our audit and identified significant risks.
Accounting Policies and Practices	Preferability of Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Library System. The Library System adopted GASB 96, Subscription Based IT Arrangements, as of January 1, 2023. Significant or Unusual Transactions or Policies We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
Audit Adjustments	A summary of audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the Library System are shown in the attached Summary of Recorded Audit Adjustments.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Observations About the Audit Process	Disagreements With Management We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements. Consultations With Other Accountants We are not aware of any consultations management had with other accountants about accounting or auditing matters. Significant Issues Discussed With Management No significant issues arising from the audit were discussed or the subject of correspondence with management.

Shared Responsibilities for Independence**Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in dealing with management during the audit.

Independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office* (GAO) independence rules. For RBT to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Trustees, and RBT each play an important role.

Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. RBT is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

The Library System's Responsibilities

- Timely inform RBT, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, or officers.
 - Change in the organizational structure or the reporting entity impacting affiliates such as related entities, investments, joint ventures, component units, and jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Library System and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with RBT.
- Not entering into arrangements for nonaudit services resulting in RBT being involved in making management decisions on behalf of the Library System.
- Not entering into relationships resulting in close family members of RBT covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the Library System.

Letter Communicating Material Weakness and Control Deficiencies in Internal Control Over Financial Reporting

We have separately communicated the material weakness and control deficiencies in internal control over financial reporting over financial reporting identified during our audit of the financial statements as required by *Government Auditing Standards*. This communication is attached as Exhibit A.

Area

Comments

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Library System, including the representation letter provided to us by management, are attached as Exhibit B.

Summary of Recorded Audit Adjustments

Management corrected the following material misstatements that were identified as a result of our audit procedures

Description	Net Effect-Increase (Decrease)				
	Assets	Liabilities	Fund Balance	Revenues	Expenditures
General Fund	\$ 381,498	\$ 414,918	\$ 131,404	\$ (32,851)	\$ 131,973
Trust & Agency Fund	29,700	-	-	29,700	-
Results of Operations and Changes in Fund Balance Effect				\$ (3,151)	\$ 131,973
Balance Sheet Effect	\$ 411,198	\$ 414,918	\$ 131,404		

The amounts above reflect the net increase/(decrease) to the indicated account classes as a result of 10 entries proposed during our audit procedures. These entries have been reviewed and accepted by James Coyle, Finance Manager and Personnel Officer.

Exhibit A - Letter Communicating Material Weakness and Control Deficiencies in Internal Control Over Financial Reporting



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

November 13, 2024

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

In planning and performing our audit of the financial statements of Mid-Hudson Library System (the "Library System") as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Library System's internal control over financial reporting ("internal control") as a basis for designing 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 the Library System's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Therefore, material weaknesses may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be material weaknesses.

**Mid-Hudson Library System
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We consider the following matter to be a material weakness:

2023-001 Compensated Absences

Condition:	The Library's schedule for its compensated absence liability was based on a report provided by their payroll provider. Supporting data from the same system could not support the ending balances.
Criteria:	The compensated absence liability required to be recorded as of year-end is based on amounts earned, unused and payable as if the employee separated from the Library at year-end.
Cause:	The Library relies on payroll benefits reports from their payroll provider and does not maintain a separate schedule to track time earned based on each employee's employment contract and time used based on timesheets.
Effect:	The liability could be misstated in the financial statements based on inaccurate reports provided by the payroll provider.
Recommendation:	RBT recommends that the Library work with their payroll provider to determine why supporting data from their system does not support the ending compensated absences liability report also provided from their system.

We consider the following matters to be control deficiencies that are less than significant:

*Controls Over Revenue

During audit testing over revenue controls, RBT noted one cash receipt was not initialed. The initialed cash receipts represent that the cash receipt was reconciled to the applicable invoice/receivable. RBT recommends the documentation of the reconciliation be completed on all cash receipts.

Cancelled Checks

During the audit, RBT noted checks received by the library system are not consistently marked as cancelled. RBT recommends implementing a procedure to stamp or mark all checks as cancelled upon receipt and processing to prevent fraud or errors.

Bank Reconciliations

During the audit, RBT noted bank reconciliations are not consistently updated to reflect changes in financial transactions, leading to inaccurate cash balances and potential misstatements in financial reports. RBT recommends implementing a policy requiring timely updates to bank reconciliations for all changes, and establishing a regular review process to ensure accuracy and completeness of reconciliations.

Those comments denoted by an "*" are substantially unchanged from our 2022 letter and continue to be applicable.

This communication is intended solely for the information and use of the Library System and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

RBT CPAs, LLP

Shannon M. Mannese, CPA, CFE

Shannon M. Mannese, CPA, CFE
Partner

**Exhibit B - Significant Written Communications Between Management
and Our Firm**

November 13, 2024

RBT CPAs, LLP
2678 South Road, Suite 101
Poughkeepsie, NY 12601

This representation letter is provided in connection with your audit of the financial statements of Mid-Hudson Library System (the "Library System"), which comprise of governmental activities, each major fund and aggregate remaining fund information, including the related notes to the financial statements, as of and for the year-ended December 31, 2023 which collectively comprise the basic financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of November 13, 2024:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 22, 2024, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Types of related party transactions engaged in by the Library System include:
 - a. Those with the primary government having accountability for the Library System.
 - b. Those with component units for which the Library System is accountable.
 - c. Those with other organizations for which the nature and significance of their relationship with the Library System are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
 - d. Interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees.
6. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.
7. Library System followed either its established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one

resource classification is available or followed paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.

8. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.
9. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
11. Management has followed applicable laws and regulations in adopting, approving and amending budgets.
12. Capital assets, including infrastructure, intangible assets, and right of use assets are properly capitalized, reported and, if applicable, depreciated.
13. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
14. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal, if applicable.
15. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
16. Library System's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and appropriately disclosed and that net position is properly recognized under the policy.
17. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders, that is not disclosed in the financial statements.
18. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. We have disclosed all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements whose effects should be considered by management when preparing the financial statements. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
19. We have reviewed the GASB Statements effective for the fiscal year ending December 31, 2023, and concluded the implementation of the following Statements did not have a material impact on the basic financial statements:
 - a. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
20. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

21. We have provided you with:

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Library from whom you determined it necessary to obtain a audit evidence.
 - d. Minutes of the meetings of the governing board of trustees and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
22. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.
23. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.
24. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.
25. We have no knowledge of allegations of fraud or suspected fraud affecting the Library System's basic financial statements involving:
- a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the basic financial statements.
26. We have no knowledge of any allegations of fraud or suspected fraud affecting the Library System's basic financial statements received in communications from employees, former employees, analysts, regulators, or others.
27. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
28. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements. We have not consulted legal counsel concerning litigation or claims.
29. We have disclosed to you the identity of all of the Library System's related parties and all the related-party relationships and transactions of which we are aware.
30. We are aware of no deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the Library System's ability to record, process, summarize and report financial data.
31. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
32. We believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining accumulated plan benefits are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the actuary with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the plan's actuary.

33. With respect to drafting the financial statements and maintenance of depreciation schedule in the firm's software using fixed assets information provided by management performed in the course of the audit:
 - a. We have made all management decisions and performed all management functions;
 - b. We assigned an appropriate individual to oversee the services'
 - c. We evaluated the adequacy and results of the services performed, and made an informed judgement on the results of the services performed;
 - d. We have accepted responsibility for the results of the services; and
 - e. We have accepted responsibility for all significant judgments and decisions that were made.
34. We have made all management decisions and performed all management functions;
35. We assigned an appropriate individual to oversee the services;
36. We evaluated the adequacy and results of the services performed, and made an informed judgment on the results of the services performed;
37. We have accepted responsibility for the results of the services; and
38. We have accepted responsibility for all significant judgments and decisions that were made.

Supplementary Information

39. With respect to supplementary information presented in relation to the basic financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited basic financial statements, we will make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
40. With respect to Schedule of Changes in Total OPEB Liability and Related Ratios, Schedule of Proportionate Share of the Net Pension Liability and Related Ratio, Schedule of Pension Contributions, and Schedule of Revenue and Expenditures Compared to Budget – General Fund presented as required by GASB to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

41. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
42. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
43. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.
44. Is responsible 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.
45. Acknowledges its responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
46. Has taken timely and appropriate steps to remedy identified or suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that the auditor reports.
47. Has a process to track the status of audit findings and recommendations.
48. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.
49. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

Mid-Hudson Library System



Rebekkah Smith Aldrich
Executive Director



James M. Coyle
Finance Manager & Personnel Officer

