

November 9, 2020

Board of Trustees
Bethlehem Public Library
451 Delaware Avenue
Delmar, New York 12054

In planning and performing our audit of the financial statements of the Bethlehem Public Library (the Library) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Library'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

However, during our audit we became aware of a deficiency in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. Our comment and suggestion is summarized below. This letter does not affect our report dated November 9, 2020, on the financial statements of Bethlehem Public Library.

COMPENSATED ABSENCES

Finding

Our audit procedures revealed that the estimated compensated absences liability did not include FICA and, therefore, was not calculated in accordance with GASB 16, *Accounting for Compensated Absences*. Additionally, the estimated liability was calculated using total hours available to eligible participants and did not consider the maximum amount allowable to be paid out per the contract.

Recommendation

We recommend the Library review its calculation of the estimated compensated absences liability in order to comply with GASB 16, *Accounting for Compensated Absences*. This review should also take into consideration the maximum amount available to be paid to eligible participants per the contract.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with Library personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist in implementing the recommendation.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the Library and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Marvin and Company, P.C.

Latham, NY
November 9, 2020

November 18, 2020

Board of Trustees
Bethlehem Public Library

We have audited the financial statements of the governmental activities of each major fund of Bethlehem Public Library (the Library) for the year ended June 30, 2020, and have issued our report thereon dated November 9, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 16, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Library are described in Note 2 to the financial statements. No new significant accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciable lives of property and equipment is based on judgements regarding the length of time an asset will provide value to the Library (Note 2).

Management's estimate of compensated absences is based upon unused hours of vacation and the estimated pay rates as of June 30, 2020 (Note 2).

Management's estimates related to the net pension asset, deferred outflows, net pension liability, and deferred inflows are based upon actuarial information from audited financial statements of the New York State Local Retirement System (Note 5).

Management's estimate of the other postemployment benefit is based on an actuarial calculation from a third party actuary (Note 6).

We evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are disclosed in Note 3 - Capital Assets, Note 5 - Pension Plan, and Note 6 - Other Postemployment Benefits.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of the audit procedures were corrected by management:

<u>Fund/Account Impacted</u>	<u>Fund Balance</u> <u>Overstated/(Understated)</u>
General Fund/Reversal of prior year payroll accrual	\$ (18,452)
General Fund/Adjust accounts payable-amount improperly included	\$ (17,887)
Capital Fund/Correct fund balance	\$ 19,723

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested and received certain representations from management that are included in the management representation letter dated November 9, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability, schedule of proportionate share of the net pension liability, and schedule of contributions to employees' retirement system which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of Bethlehem Public Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Marvin and Company, P.C.

**BETHLEHEM PUBLIC LIBRARY
FINANCIAL REPORT
JUNE 30, 2020**



BETHLEHEM PUBLIC LIBRARY

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bethlehem Public Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Bethlehem Public Library (Library) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Library'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 and each major fund of Bethlehem Public Library as of June 30, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8, budgetary comparison information on page 34, schedule of changes in total OPEB liability on page 35, schedule of proportionate share of the net pension liability (asset) on page 36, and schedule of contributions to employees' retirement system on page 37 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 an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2020, on our consideration of Bethlehem Public Library'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 solely 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 the effectiveness of the Library's 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 Bethlehem Public Library's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY
November 9, 2020

BETHLEHEM PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Our discussion and analysis of Bethlehem Public Library's (Library) financial performance provides an overview of the financial activities for the year ended June 30, 2020. This document should be read in conjunction with Bethlehem Public Library's financial statements.

USING THIS FINANCIAL REPORT

This financial report consists of a set of financial statements and notes. The statement of net position and the statement of activities provide information about the activities of Bethlehem Public Library as a whole and present a longer-term view of the Library's finances. Fund financial statements begin thereafter. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report Bethlehem Public Library's operations in more detail than the government-wide statements by comparing budget totals to actual.

REPORTING ON BETHLEHEM PUBLIC LIBRARY AS A WHOLE

Our analysis of Bethlehem Public Library as a whole begins below. One of the most important questions asked about the Library's finances is, *Is Bethlehem Public Library, as a whole, better off or worse off as a result of the year's activities?* The statement of net position and the statement of activities report information about the Library as a whole and about its activities in a manner that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report Bethlehem Public Library's net position and changes in them. You can think of the Library's net position - the difference between assets and liabilities - as one way to measure the Library's financial health, or financial position. Over time, increases or decreases in Bethlehem Public Library's net position are one indicator of whether its financial health is improving or deteriorating.

THE GOVERNMENT AS A WHOLE

The Library's net position decreased from \$3,600,200 to \$3,161,700 as depicted in the following table.

Table 1 - Net Position (Rounded) Governmental Activities

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 3,516,200	\$ 3,184,500
Capital assets	<u>3,243,800</u>	<u>3,332,400</u>
Total assets	6,760,000	6,516,900
Deferred outflows of resources	<u>1,311,800</u>	<u>316,400</u>
Total assets and deferred outflows of resources	<u>\$ 8,071,800</u>	<u>\$ 6,833,300</u>
Current liabilities	\$ 174,200	\$ 176,000
Net pension liability - ERS	2,070,400	536,100
Other long-term liabilities	<u>2,579,200</u>	<u>2,287,600</u>
Total liabilities	4,823,800	2,999,700
Deferred inflows of resources	<u>86,200</u>	<u>233,400</u>
Total liabilities and deferred inflows of resources	<u>\$ 4,910,000</u>	<u>\$ 3,233,100</u>
Net position:		
Invested in capital assets	\$ 3,243,800	\$ 3,332,400
Unrestricted	<u>(82,100)</u>	<u>267,800</u>
Total net position	<u>\$ 3,161,700</u>	<u>\$ 3,600,200</u>

THE GOVERNMENT AS A WHOLE (Continued)

Table 2 - Change in Net Position (Rounded) Governmental Activities

	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenue:		
Charges for services	\$ 32,000	\$ 43,900
Operating grants	25,100	50,000
General revenue:		
Real property taxes	4,270,700	4,129,500
Use of money and property	37,700	20,500
Sale of property and compensation for loss	3,800	5,400
Gifts and donations	<u>3,200</u>	<u>7,500</u>
Total revenue	<u>4,372,500</u>	<u>4,256,800</u>
Program expenses:		
General support	2,418,000	2,089,900
Library operations	<u>2,393,000</u>	<u>2,076,500</u>
Total expenses	<u>4,811,000</u>	<u>4,166,400</u>
Change in net position	<u>\$ (438,500)</u>	<u>\$ 90,400</u>

The Library's fiscal year 2020 revenue totaled approximately \$4,372,500 (see Table 2). Property taxes accounted for 98% and 97% of total revenue for the years ended June 30, 2020 and 2019, respectively. Approximately 46% and 52% of total expenses were comprised of salary for librarians and support staff for the years ended June 30, 2020 and 2019, respectively.

THE GOVERNMENT AS A WHOLE (Continued)

Table 3 - Governmental Activities (Rounded)

	<u>2020</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General support	\$ 2,418,000	\$ 2,418,000
Library operations	<u>2,393,000</u>	<u>2,336,000</u>
Totals	<u>\$ 4,811,000</u>	<u>\$ 4,754,000</u>

	<u>2019</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General support	\$ 2,089,900	\$ 2,089,900
Library operations	<u>2,076,500</u>	<u>1,982,500</u>
Totals	<u>\$ 4,166,400</u>	<u>\$ 4,072,400</u>

Table 3 presents the Library's two governmental functions: general support and library operations - as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Library by each of these functions.

Significant analysis follows:

- The cost of all governmental activities this year was \$4,811,012.
- The users of the Library's programs financed \$32,022 of the costs.
- State operating grants subsidized certain programs with contributions in the amount of \$25,050.
- Most of the Library's net costs (\$4,753,940) were financed by local taxpayers.

FUND ANALYSIS

The Library utilizes two funds - General and Capital Projects. The General Fund is used for the operations of the Library and the Capital Projects Fund accounts for various library improvement projects. Significant activities in the General Fund consist of salary and benefits to library staff, maintenance and operation of the library building, and purchase of books, periodicals, and other resources for the community's use. The General Fund ended the year with an operating surplus of \$611,062 and a fund balance of \$3,313,046. The Capital Projects Fund ended the year with an operating deficit of \$277,538 and a fund balance of \$28,947.

GENERAL FUND BUDGETARY HIGHLIGHTS

In the 2020 budget, general fund revenue was projected to be \$4,346,314 and actual revenue was \$4,372,533 resulting in a favorable variance of \$26,219.

Expenditures were budgeted, after adjustments, at \$4,495,816; actual expenditures were \$3,998,737 resulting in a favorable variance of \$348,344 after applying encumbrances. The majority of the favorable variance was due to savings in budgeted staff salaries and benefits, savings in capital expenditures, and less than anticipated contractual purchases related to building and office operations.

The final budget had anticipated that the fund balance would be drawn down by \$149,502, but actual results was an increase in fund balance of \$611,062.

The general fund balance at the end of the year was \$3,313,046. The current fund balance is sufficient to sustain library operations in the three-month period between the end of the fiscal year and the receipt of tax revenue for the new fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the Library had \$3.24 million invested in a broad range of capital assets including buildings, and building improvements, computers, and other research and educational equipment, net of accumulated depreciation.

Table 4 - Capital Assets Net of Depreciation (Rounded)

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 758,300	\$ 714,900
Land/land improvements	803,000	803,000
Buildings/building improvements	5,124,300	4,216,700
Construction in progress	-	863,400
Less: accumulated depreciation	<u>(3,441,800)</u>	<u>(3,265,600)</u>
Capital assets, net	<u>\$ 3,243,800</u>	<u>\$ 3,332,400</u>

Long-Term Liabilities

No new debt was incurred during 2020 and the Library was debt free as of June 30, 2020. However, the Library has committed to provide certain benefits to its employees that create long-term obligations. More detailed information about the Library's long-term liabilities is presented in the notes to the financial statements.

FACTORS BEARING ON THE FUTURE OF THE LIBRARY

The library was aware of existing circumstances that could significantly affect its financial health in the future:

New York State's tax cap legislation will have a financial impact on future library operations. The Library is dedicated to meeting patron demand for high quality library materials and services.

Health insurance costs and other postemployment costs will continue to see significant cost increases.

The cost of the New York State Retirement Benefits will fluctuate as the market conditions change. More staff members have chosen to participate in the New York State Retirement benefit program which increases the costs to the Library.

The COVID-19 pandemic created significant disruption to the Library's operations beginning in mid-March 2020. The doors were closed to patrons and staff began working remotely. A number of innovative programs were established such as curbside pick up and pop up Library to serve the public in a safe, contactless way. Operating expenses were diverted to pay for the cost of additional cleaning supplies, shields and other protective equipment. Book fines were suspended until the fall. The financial impact going forward should be minimal, as vacant positions are being held open and other costs are being carefully controlled.

CONTACTING BETHLEHEM PUBLIC LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Bethlehem Public Library's finances and to show Bethlehem Public Library's accountability for the money it receives.

If you have questions about this report or need additional financial information, please contact:

Geoffrey Kirkpatrick,
Library Director
Bethlehem Public Library
451 Delaware Avenue
Delmar, NY 12054

**BETHLEHEM PUBLIC LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2020**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets	
Cash	\$ 3,466,672
Grants receivable	28,947
Prepaid expenses	20,559
Total Current Assets	<u>3,516,178</u>
Noncurrent Assets	
Capital assets, net	<u>3,243,784</u>
Deferred Outflows of Resources	
Pension	<u>1,311,800</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 8,071,762</u></u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current Liabilities	
Accounts payable	\$ 83,466
Accrued liabilities	18,781
Due to employees' retirement system	71,938
Total Current Liabilities	<u>174,185</u>
Long-Term Liabilities	
Compensated absences	122,945
Net pension liability - ERS	2,070,405
Other postemployment benefits	2,456,309
Total Long-Term Liabilities	<u>4,649,659</u>
Deferred Inflows of Resources	
Pension	<u>86,177</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>4,910,021</u>

NET POSITION

Investment in capital assets	3,243,784
Unrestricted	(82,043)
Total Net Position	<u>3,161,741</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 8,071,762</u></u>

BETHLEHEM PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Charges for Services</u>	<u>Operating Grants</u>	
Government Activities			
General support	\$ 2,417,972	\$ -	\$ (2,417,972)
Library operations	2,393,040	25,050	(2,335,968)
Total Government Activities	\$ 4,811,012	\$ 25,050	(4,753,940)
General Revenue			
Real property taxes			4,270,664
Use of money and property			37,742
Sale of property and compensation for loss			3,815
Gifts and donations			3,240
Total General Revenue			4,315,461
Change in Net Position			(438,479)
Net Position, Beginning of Year			3,600,220
Net Position, End of Year			\$ 3,161,741

See accompanying notes to financial statements.

BETHLEHEM PUBLIC LIBRARY
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenue			
Real property taxes	\$ 4,270,664	\$ -	\$ 4,270,664
Charges for services	32,022	-	32,022
Use of money and property	37,742	-	37,742
Sale of property and compensation for loss	3,815	-	3,815
Gifts and donations	3,240	-	3,240
State sources	25,050	-	25,050
	<hr/>	<hr/>	<hr/>
Total Revenue	4,372,533	-	4,372,533
	<hr/>	<hr/>	<hr/>
Expenditures			
General support	1,562,824	-	1,562,824
Library operations	1,666,831	-	1,666,831
Employee benefits	769,082	-	769,082
Capital outlay	-	40,272	40,272
	<hr/>	<hr/>	<hr/>
Total Expenditures	3,998,737	40,272	4,039,009
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenue Over Expenditures	373,796	(40,272)	333,524
	<hr/>	<hr/>	<hr/>
Other Sources and (Uses)			
Operating transfers in	237,266	-	237,266
Operating transfers (out)	-	(237,266)	(237,266)
	<hr/>	<hr/>	<hr/>
Total Other Sources and (Uses)	237,266	(237,266)	-
	<hr/>	<hr/>	<hr/>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other (Uses)	611,062	(277,538)	333,524
	<hr/>	<hr/>	<hr/>
Fund Balance, Beginning of Year	2,701,984	306,485	3,008,469
	<hr/>	<hr/>	<hr/>
Fund Balance, End of Year	\$ 3,313,046	\$ 28,947	\$ 3,341,993
	<hr/>	<hr/>	<hr/>

BETHLEHEM PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net changes in fund balance - total governmental funds	\$ 333,524
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	90,169
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(178,835)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported as expenditures in the governmental funds	(273,054)
Compensated absences are not due and payable in the current period and are therefore not reported in the funds	(18,650)
Pension expense resulting from the GASB 68/71 related actuary reporting is not recorded as an expenditure in the government funds but, is recorded in the statement of activities	(391,633)
Change in Net Position - Governmental Activities	<u>\$ (438,479)</u>

BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. NATURE OF OPERATIONS

Bethlehem Public Library provides library services to residents within the geographic borders of the Bethlehem Central School District located in Albany County, New York.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bethlehem Public Library (Library) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the Library are described below:

Reporting Entity

Bethlehem Public Library was established as a school district public library in 1913, and operates in accordance with the provisions of the Education Law of the State of New York. The Board of Trustees is the governing body of the Library and is elected by the voters of the district.

Basis of Presentation

The Library's financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund level financial statements which provide more detailed information.

Government-Wide Financial Statements

The statement of net position and the statement of activities present financial information about Bethlehem Public Library's governmental activities. These statements include the financial activities of the overall government in its entirety. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column, when present, reflects capital-specific grants.

The statement of activities presents a comparison between program expenses and revenue for each function of the Library's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue includes charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

The fund statements provide information about the Library's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

The accounts of Bethlehem Public Library are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The major funds of the Bethlehem Public Library are as follows:

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

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Use 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, pension plan, other post-employment benefits and useful lives of long-lived assets.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

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

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

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

Cash

The Library's cash consists of cash on hand and demand deposits. New York State law governs the Library investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States Agencies, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. The Library's aggregate bank balances that were not covered by FDIC insurance were not exposed to custodial credit risk at June 30, 2020.

Grants Receivable

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Library provides for losses on grants receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of grantors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Library's policy to charge off uncollectible grants receivable when management determines the receivable will not be collected. Grants receivable were \$28,947 as of June 30, 2020.

Property Taxes

Real property taxes are levied annually by the Board of Education of Bethlehem Central School District (School District) no later than September 1, and become a lien on September 1. Taxes are collected by the Bethlehem School District and transmitted to the Library as collected. The total amount of the levied taxes is paid to the Library prior to its year-end.

Prepaid Expenses

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

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interfund Transactions

The operations of the Library include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Library typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the Library's practice to settle these amounts at a net balance based upon the right of legal offset.

Capital Assets

Capital assets are reported at actual cost for acquisitions, if actual cost information is available. If actual cost information is not available, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at acquisition value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	1,000	SL	30-50
Furniture and equipment	1,000	SL	5-10
Land improvements	1,000	SL	10-40

Inexhaustible Collections and Books

The value of the existing inexhaustible collections, including research books, is not readily determinable and, therefore, the Library has not capitalized them. Books used in the circulating library have not been capitalized. Their estimated useful lives are not readily determinable but are deemed to be less than one year. For insurance purposes, these collections have an appraised replacement value of approximately \$3,031,774.

Accrued Liabilities

Payables and accrued liabilities are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year.

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Library has one type of item that qualifies for reporting as deferred inflows and outflows of resources related to its pension plan. Note 5 provides the specific pension related items that make up the deferred outflows and inflows of resources balances.

Vested Employee Benefits

Compensated Absences

Compensated absences consist of unpaid accumulated annual vacation time.

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

Other Benefits

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

Other Postemployment Benefits

In addition to providing the retirement benefits described, the Library provides other postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts in effect at the time of retirement. Substantially all of the Library's full-time employees may become eligible for these benefits based on length of service and an age threshold (Note 6). The Library pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level, the Library recognizes the current cost of providing benefits by recording its share of insurance premiums for currently enrolled retirees.

In accordance with generally accepted accounting principles, the Library has recorded, in the government-wide statement of net position, an other postemployment benefits liability totaling \$2,456,309 as of June 30, 2020.

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Procedures and Budgetary Accounting

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

The voters of the Library approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line 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 lapse if not expended in the subsequent year.

Supplemental appropriations may occur subject to legal restrictions, if the Board of Trustees approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year. Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the previous year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations.

Equity Classifications

Government-Wide Statements

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

Net investment in capital assets - consists of net capital assets, (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvements of those assets.

Restricted net position - reports net position when constraints placed on the assets are either externally imposed by creditors, (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library has no restricted net position.

Unrestricted net position - reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the Library.

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

BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Equity Classifications

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

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually are required to be maintained intact. Non-spendable fund balance includes prepaid expenditures in the general and capital projects funds, if any.

Restricted fund balance - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Library has available the following restricted fund balances, if any:

Capital

Capital reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund under restricted fund balance, if any.

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund under restricted fund balance, if any.

Retirement Contribution

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance, if any.

Committed fund balance - Includes amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the Library's highest level of decision making authority, i.e., the Board of Trustees. There is no committed fund balance as of June 30, 2020.

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Equity Classifications

Assigned fund balance - Includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$148,735.

As of June 30, 2020, the Library's encumbrances were classified as follows:

General support	\$ 22,594
Library operations	125,588
Employee benefits	553
Total Encumbrances	<u>\$ 148,735</u>

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the Library.

Order of Fund Balance Spending Policy

The Library's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first; committed fund balance is determined next; then restricted fund balances for specific purposes, if any, are determined and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

3. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2020, is as follows:

<u>Governmental Activities</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Adjustments/ Disposals</u>	<u>Balance June 30</u>
Capital assets that are not depreciated				
Construction in progress	\$ 863,391	\$ 40,272	\$ 903,663	\$ -
Total Non-Depreciable	<u>863,391</u>	<u>40,272</u>	<u>903,663</u>	<u>-</u>
Capital assets that are depreciated				
Furniture and equipment	714,961	43,338	-	758,299
Land/improvements	803,017	-	-	803,017
Buildings/improvements	<u>4,216,698</u>	<u>907,633</u>	<u>-</u>	<u>5,124,331</u>
Total Cost	<u>5,734,676</u>	<u>950,971</u>	<u>-</u>	<u>6,685,647</u>
Less accumulated depreciation:				
Furniture and equipment	516,425	25,835	(2,399)	544,659
Land/improvements	473,282	48,614	-	521,896
Buildings/improvements	<u>2,275,910</u>	<u>104,386</u>	<u>4,988</u>	<u>2,375,308</u>
Total Accumulated Depreciation	<u>3,265,617</u>	<u>178,835</u>	<u>2,589</u>	<u>3,441,863</u>
Total Capital Assets, Net	<u>\$ 3,332,450</u>	<u>\$ 812,408</u>	<u>\$ 901,074</u>	<u>\$ 3,243,784</u>

Depreciation expense was \$178,835 for the year ended June 30, 2020.

The building occupied by the Library is owned by Bethlehem Central School District. Because the Library was obligated to make payments on the debt issuance for the building, the cost of the facility has also been recorded on the Library's books as a capital asset. As of June 30, 2020, all previous debt obligations related to the Library have been fulfilled.

4. INTERFUND BALANCES OR ACTIVITY

The following is a summary of interfund activity:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ -	\$ -
Capital projects fund	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>\$ -</u>	<u>\$ -</u>

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

4. INTERFUND BALANCES OR ACTIVITY

Interfund receivables and payables are eliminated on the statement of net position. The Library typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

The capital projects fund made a \$237,266 transfer to the general fund for the residual unspent funds on the HVAC capital project which was completed by June 30, 2020.

5. PENSION PLAN

General Information

The Library participates in the New York State and Local Employees' Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (The Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (NYSRSSL). Once an employer elects to participate in the System, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Library also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001 or found at www.osc.state.ny.us/retire/publications/index.php.

Contributions

The System is noncontributory except for employees who joined after July 27, 1976 who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Contributions

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

2019-20	\$	283,977
2018-19		283,683
2017-18		286,439

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

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

5. PENSION PLAN

Pension Liabilities

At June 30, 2020, the Library reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2020. The total net pension liability was determined by an actuarial valuation. The Library's proportion of the net pension liability was based on a projection of the Library's long-term share of contributions of all participating members, actuarially determined. This information was provided by the ERS systems in reports provided to the Library.

Actuarial valuation date	April 1, 2019
Net pension liability	\$2,070,405
Library's portion of the Plan's total net pension liability	0.0078186%

Pension Expense

For the year ended June 30, 2020, the Library recognized its proportionate share of pension expense of \$702,864.

Deferred Outflows and Inflows of Resources Related to Pension

At June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 121,852	\$ -
Changes of assumptions	41,688	35,997
Net differences between projected and actual earnings on pension plan investments	1,061,390	-
Changes in proportion and differences between the Library's contributions and proportionate share of contributions	14,932	50,180
Contributions subsequent to the measurement date	71,938	-
	<u>\$ 1,311,800</u>	<u>\$ 86,177</u>

The Library's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2021. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized within pension expense as follows:

Plan's Year Ended March 31:	
2021	\$ 185,173
2022	285,167
2023	376,037
2024	307,308
	<u>\$ 1,153,685</u>

BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

5. PENSION PLAN

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. The actuarial valuation used the following actuarial assumptions:

Measurement date	March 31, 2020
Actuarial valuation date	April 1, 2019
Interest Rate	6.8%
Salary Scale	4.2%
Decrement tables	April 1, 2010 - March 31, 2015
	System's experience
Inflation rate	2.5%
Projected cost of living adjustments	1.3% annually

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2018. The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

5. PENSION PLAN

Actuarial Assumptions

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic equity	36%	4.05%
International equity	14%	6.15
Private equity	10%	6.75
Real estate	10%	4.95
Absolute return strategies (1)	2%	3.25
Opportunistic portfolio	3%	4.65
Real assets	3%	5.95
Bonds and mortgages	17%	0.75
Cash	1%	0.00
Inflation-indexed bonds	4%	0.50
	<u>100%</u>	

* Real rate of return is net of the long-term inflation assumption of 2.5% for 2020.

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity, respectively.

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 determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (5.8%) or 1 percent higher (7.8%) than the current rate:

	<u>1% Decrease (5.8%)</u>	<u>Current Assumption (6.8%)</u>	<u>1% Increase (7.8%)</u>
Proportionate share of net pension liability (asset)	\$ <u>3,799,777</u>	\$ <u>2,070,405</u>	\$ <u>477,645</u>

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

5. PENSION PLAN

Changes of Assumptions

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2020, is \$676,555.

Payable to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020, based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020, were \$71,938.

6. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Library's single-employer defined benefit OPEB plan provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The benefits and eligibility requirements are determined by the employment contracts negotiated between the Library and its employee groups. All full-time employees are eligible if they retire at or after the age of 55 and have 15 years of full-time service if hired prior to July 1, 2006 and 20 years of full-time service if hired thereafter. Medical benefits, including pharmaceutical costs, are provided through plans whose premiums are based on the benefits paid during the year. The Library pays 80 and 50 percent of the cost of premiums for employees hired before and after July 1, 2016 respectively. Spouses and surviving spouses contribute 100% of premiums.

The plan does not accumulate assets to meet its future obligation and the plan is not administered through a trust or an equivalent arrangement. The OPEB plan does not issue a stand-alone financial report.

In the governmental funds, the Library recognizes the cost of providing healthcare insurance by recording its share of insurance premiums as an expenditure in the general fund in the year paid. Total payments to the plan to cover the Library's share of retirees insurance premiums for the year ended June 30, 2020 were \$95,101.

BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

6. OTHER POSTEMPLOYMENT BENEFITS

At the valuation date, the number of employees covered by the Library's OPEB plan were as follows:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled but not receiving benefits	-
Active employees	<u>30</u>
Total Participants	<u>47</u>

Net OPEB Liability

The Library's total OPEB liability was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019. The changes in the Library's net OPEB liability were as follows:

Service cost	\$ 56,201
Interest cost	67,926
Difference between expected and actual experience, changes in assumptions	244,028
Benefit payments	<u>(95,101)</u>
Increase in net OPEB liability	273,054
 Net OPEB Liability - Beginning of Year	 <u>2,183,255</u>
 Net OPEB Liability - End of Year	 <u>\$ 2,456,309</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.25%
Rate of compensation increase	2.00%
Discount rate	2.45%
Healthcare Cost Trend Rates:	
Pre-65 Medical trend rates:	
Assumed rate for 2020	6.50%
Ultimate trend rate	3.78%
Year of ultimate trend rate	2075
Post-65 Medical trend rates:	
Assumed rate for 2020	4.40%
Ultimate trend rate	3.78%
Year of ultimate trend rate	2075

BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

6. OTHER POSTEMPLOYMENT BENEFITS

Actuarial Assumptions and Other Inputs

Prescription drug trend rates:

Assumed rate for 2020	6.75%
Ultimate trend rate	3.78%
Year of ultimate trend rate	2075

Medicare Part B drug trend rates:

Assumed rate for 2020	6.20%
Ultimate trend rate	3.78%
Year of ultimate trend rate	2075

The discount rate was based on the Fidelity General Obligation 20-year AA Municipal Bond Index, which is a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

Prior to June 30, 2020, mortality rates were based on sex-distinct RPH 2014 Mortality Tables, adjusted backward to 2006 with scale MP-2014, and then adjusted for mortality improvements with scale MP-2018 mortality improvement scale on a fully generational basis.

As of June 30, 2020, the sex-distinct and job category-specific headcount weighted Pub-2010 Public Retirement Plans Mortality Tables for employees and healthy retirees, adjusted for mortality improvements with scale MP-2019 mortality improvement scale on a generational basis was used.

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

The following presents the total OPEB liability of the Library, as well as what the Library's total OPEB 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 discount rate:

	1% Decrease	Current Discount	1% Increase
	<u>1.45%</u>	<u>2.45%</u>	<u>3.45%</u>
Total OPEB Liability	\$ <u>2,880,658</u>	\$ <u>2,456,309</u>	\$ <u>2,120,137</u>

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

6. OTHER POSTEMPLOYMENT BENEFITS

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

The following presents the total OPEB liability of the Library, as well as what the Library's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,101,200	\$ 2,456,309	\$ 2,915,574

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

For the years ended June 30, 2020, the Library recognized OPEB expense of \$368,155. At June 30, 2020, the Library did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

7. RISK MANAGEMENT

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

The Library does not purchase insurance for the risk of losses for unemployment claims. Instead, the Library manages its risks for these losses internally and accounts for these in the Library's general fund, including provisions for unexpected and unusual claims.

The Library 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. Based on prior audits, the Library's administration believes disallowances, if any, will be immaterial.

8. COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreement

Approximately 50% of the Library's employees are covered by a collective bargaining agreement with the Civil Service Employees Association, Inc., Local 1000, AFSCME, AFL-CIO Bethlehem Public Library Unit, Albany County Local #801. The current agreement with the covered employees expired on June 30, 2020. A memorandum of agreement was signed extending the current terms to June 30, 2021.

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

9. TAX ABATEMENTS

All real property in New York State is subject to taxation unless specific legal provisions grant it exempt status. Real property exemptions are granted on the basis of many different criteria, including the use to which the property is put, the owner's ability to pay taxes, the desire of the state and local governments to encourage certain economic or social activities, and other considerations. Most exemptions are granted under Article 4 of the Real Property Tax Law, but others are authorized by a wide variety of statutes ranging from Article 18-A of the Real Property Tax Law, the Agriculture and Markets Law and the Transportation Law. Certain exemptions provide full relief from taxation (wholly exempt property) and others reduce the taxes which would otherwise be payable by varying degrees (partially exempt property). Some exemptions apply to taxes levied for county, city/town, and school purposes, whereas others pertain only to certain of these purposes. Some tax exemptions are mandated by State law, others are subject to local option and/or local determination of eligibility criteria.

The Library has 16 real property tax abatement agreements that are entered into by the Town of Bethlehem Industrial Development Agency (IDA). These agreements provide for abatement of real property taxes in exchange for payment in lieu of taxes (PILOT) in accordance with the IDA's Tax Exemption Policy.

PILOTs are granted in accordance with various activities such as purchase of an existing facility, development of a new facility, or the improvement or expansion of an existing facility to promote job creation or retention. There are no policies for recapture of PILOTs should the applicant not meet certain criteria.

The following are the aggregated PILOT agreements by purpose and the amount of real property tax that has been abated for the year ended June 30, 2020.

<u>Purpose</u>	<u>Assessed Taxable Value</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Amount of Tax Abated</u>
Town of Bethlehem Industrial Development Agency:				
Promote commercial development and job creation	<u>\$ 117,071,000</u>	<u>\$ 3,504,063</u>	<u>\$ 205,515</u>	<u>\$ 109,522</u>

BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

10. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

The Library has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. There was no financial statement impact of implementing these new standards. At June 30, 2020, the Library implemented the following new standards issued by GASB:

GASB issued Statement 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2020.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct and Placements*, effective for the year ending June 30, 2020.

GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective for the year ending June 30, 2020

Future Changes in Accounting Standards

GASB has issued Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2021.

GASB has issued Statement 87, *Leases*, effective for the year ending June 30, 2022.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending June 30, 2022.

GASB has issued Statement 90, *Accounting and Financial Reporting for Majority Equity Interest*, effective for the year ending June 30, 2021.

GASB has issued Statement 91, *Conduit Debt Obligation*, effective for the year ending June 30, 2023.

GASB has issued Statement 92, *Omnibus 2020*, effective for the year ending June 30, 2022.

GASB has issued Statement 93, *Replacement of Interbank Offered Rates*, effective for the year ending June 30, 2021.

GASB has issued Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the year ending June 30, 2023.

GASB issued Statement 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023.

GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for the year ending June 30, 2022.

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

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

11. CONTINGENCY

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a respiratory disease, to be a pandemic. It is uncertain as to the full magnitude that the pandemic will have on the Library's financial condition, liquidity, and future operations. The Library's operations are heavily dependent on real property taxes. Additionally, access to grants, funding and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak will likely have a continued material adverse impact on the economy and cost of education. In August 2020, the Governor signed legislation that provides financial flexibility to school districts and passed through to the Library as a result of the pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date these financial statements were available to be issued.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 9, 2020, which is the date the financial statements were available to be issued. Management has determined that there are no subsequent events that require recording or disclosure.

BETHLEHEM PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue					
Real property taxes	\$ 4,268,314	\$ 4,268,314	\$ 4,270,664	\$ -	\$ 2,350
Charges for services	38,000	38,000	32,022	-	(5,978)
Use of money and property	10,000	10,000	37,742	-	27,742
Sale of property and compensation for loss	5,000	5,000	3,815	-	(1,185)
Gifts and donations	1,000	1,000	3,240	-	2,240
State sources	24,000	24,000	25,050	-	1,050
Total Revenue	4,346,314	4,346,314	4,372,533	-	26,219
Expenditures					
General support	1,852,351	1,932,388	1,562,824	22,594	346,970
Library operations	1,703,186	1,772,150	1,666,831	125,588	(20,269)
Employee benefits	790,777	791,278	769,082	553	21,643
Total Expenditures	4,346,314	4,495,816	3,998,737	148,735	348,344
Other Sources and (Uses)					
Operating transfers in	-	-	237,266	-	(237,266)
Operating transfers (out)	-	-	-	-	-
Net Change in Fund Balance	-	(149,502)	611,062		
Fund Balance, Beginning of Year	2,701,984	2,701,984	2,701,984		
Fund Balance, End of Year	<u>\$ 2,701,984</u>	<u>\$ 2,552,482</u>	<u>\$ 3,313,046</u>		

BETHLEHEM PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020

	Last 10 Fiscal Years*		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 56,201	\$ 60,962	\$ 60,885
Interest cost	67,926	76,704	73,652
Changes of benefit terms	-	-	-
Differences between expected and actual experience and change of assumptions	244,028	17,049	(19,741)
Benefit payments	(95,101)	(58,786)	(70,903)
Net Change in Total OPEB Liability	273,054	95,929	43,893
Total OPEB Liability - beginning	2,183,255	2,087,326	2,043,433
Total OPEB Liability - ending	\$ 2,456,309	\$ 2,183,255	\$ 2,087,326
Covered employee payroll	\$ 1,697,844	\$ 1,753,073	\$ 1,784,854
Total OPEB Liability as a percentage of covered employee payroll	144.67%	124.54%	116.95%

* Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available. Additionally, the amounts presented for each fiscal year were determined as of each respective measurement date.

BETHLEHEM PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2020

	ERS Pension Plan Last 10 Fiscal Years				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2015</u>
Proportion of the net pension liability	0.0078186%	0.0075665%	0.0078766%	0.0080026%	0.0077053% 0.0076626%
Proportionate share of the net pension liability	\$ 2,070,405	\$ 536,107	\$ 254,200	\$ 751,900	\$ 1,236,700 \$ 258,900
Covered employee payroll	\$ 2,004,690	\$ 2,010,156	\$ 1,931,800	\$ 1,924,900	\$ 1,767,100 \$ 1,944,100
Proportionate share of the net pension liability as a percentage of covered employee payroll	103.3%	26.7%	13.2%	39.1%	70.0% 13.3%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.20%	94.70%	90.70% 97.70%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available. Additionally, the amounts presented for each fiscal year were determined as of each respective measurement date.

BETHLEHEM PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2020

	ERS Pension Plan Last 10 Fiscal Years				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2015</u>
Contractually required contribution	\$ 283,977	\$ 283,683	\$ 293,100	\$ 297,200	\$ 273,200
Contributions in relation to the contractually required contribution	(283,977)	(283,683)	(293,100)	(297,200)	(273,200)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,004,690	\$ 2,010,156	\$ 1,931,800	\$ 1,924,900	\$ 1,767,100
Contributions as a percentage of covered employee payroll	14.17%	14.11%	15.17%	15.44%	15.46%
					19.42%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally, the amounts presented for each fiscal year were determined as of each respective measurement date.

**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
Bethlehem Public Library

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of each major fund of the Bethlehem Public Library (Library) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated November 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library'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 those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Marvin and Company, P.C.

Latham, NY

November 9, 2020

