

**BETHLEHEM PUBLIC LIBRARY**

**Financial Statements  
and Required Report  
as of June 30, 2016  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

November 21, 2016

To the Board of Trustees of  
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, 2016, 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.

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(Continued)

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### ***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, 2016, 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.

### **Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of funding progress, contributions, and local government's proportionate share of the net pension liability 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 21, 2016, on our consideration of the 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 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 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 the Library's internal control over financial reporting and compliance.

## **BETHLEHEM PUBLIC LIBRARY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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, 2016. This document should be read in conjunction with Bethlehem Public Library's financial statements.

#### **USING THIS ANNUAL REPORT**

This annual 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 \$4,429,076 to \$4,410,446 as depicted in the following table.

**THE GOVERNMENT AS A WHOLE (Continued)****Table 1 - Net Position (Rounded) Governmental Activities**

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 3,015,600	\$ 2,677,900
Capital assets	2,679,100	2,813,100
Total assets	<u>5,694,700</u>	<u>5,491,000</u>
Deferred outflows of resources	<u>1,147,100</u>	<u>124,200</u>
Total assets and deferred outflows of resources	<u>\$ 6,841,800</u>	<u>\$ 5,615,200</u>
Current liabilities	\$ 144,800	\$ 164,100
Net pension liability - ERS	1,236,700	258,900
Long-term liabilities	<u>853,800</u>	<u>763,200</u>
Total liabilities	2,235,300	1,186,200
Deferred inflows of resources	<u>196,000</u>	<u>-</u>
Total assets and deferred inflows of resources	<u>\$ 2,431,300</u>	<u>\$ 1,186,200</u>
Net position:		
Invested in capital assets	\$ 2,679,100	\$ 2,813,100
Restricted	709,900	772,000
Unrestricted	<u>1,021,500</u>	<u>844,000</u>
Total net position	<u>\$ 4,410,500</u>	<u>\$ 4,429,100</u>

**THE GOVERNMENT AS A WHOLE (Continued)**

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

	<u>2016</u>	<u>2015</u>
Revenue:		
Program revenue:		
Charges for services	\$ 52,600	\$ 61,200
Operating grants	27,900	39,600
General revenue:		
Real property taxes	3,906,500	3,859,300
Use of money and property	5,200	4,200
Sale of property and compensation for loss	7,300	6,400
Gifts and donations	<u>12,300</u>	<u>9,000</u>
Total revenue	<u>4,011,800</u>	<u>3,979,700</u>
Program expenses:		
General support	2,134,600	1,958,400
Library operations	<u>1,895,700</u>	<u>1,666,100</u>
Total expenses	<u>4,030,300</u>	<u>3,624,500</u>
Change in net position	<u>\$ (18,500)</u>	<u>\$ 355,200</u>

The Library's fiscal year 2016 revenue totaled approximately \$4,011,800 (see Table 2). Property taxes accounted for 97% of total revenue for both years ended June 30, 2016 and 2015. Approximately 53% and 47% of total expenses were comprised of salary and benefits for librarians and support staff for the years ended June 30, 2016 and 2015, respectively.

## THE GOVERNMENT AS A WHOLE (Continued)

**Table 3 - Governmental Activities (Rounded)**

	<b><u>2016</u></b>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General support	\$ 2,134,600	\$ 2,134,600
Library operations	<u>1,895,700</u>	<u>1,815,300</u>
Totals	<u>\$ 4,030,300</u>	<u>\$ 3,949,900</u>

  

	<b><u>2015</u></b>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General support	\$ 1,958,400	\$ 1,958,400
Library operations	<u>1,666,100</u>	<u>1,565,400</u>
Totals	<u>\$ 3,624,500</u>	<u>\$ 3,523,800</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 \$4,030,345.
- The users of the Library's programs financed \$52,594 of the costs.
- State operating grants subsidized certain programs with contributions in the amount of \$27,853.
- Most of the Library's net costs (\$3,949,898) 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 \$323,692 and a fund balance of \$2,810,175. The Capital Projects Fund ended the year with an operating surplus of \$33,245 and a fund balance of \$60,661.



## GENERAL FUND BUDGETARY HIGHLIGHTS

In the 2016 budget, general fund revenue was projected to be \$4,003,374 and actual revenue was \$4,007,780 resulting in a favorable variance of \$4,406.

Overall expenditures were budgeted at \$4,094,251; actual expenditures were \$3,684,088, 88% of the final budgeted amount, resulting in a favorable variance of \$238,354 net of encumbrance carryovers. The majority of the favorable variance was a result of the budgeted staff salaries and benefits being greater than actual expenditures, coupled with less than anticipated book purchases.

The final budget had anticipated that the fund balance would be drawn down by \$90,877, but actual results was an increase in fund balance of \$323,692, which resulted in a net budgetary surplus of \$242,760, after encumbrance carryovers.

The general fund balance at the end of the year was \$2,810,175. 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, 2016, the Library had \$2.7 million invested in a broad range of capital assets including land and building improvements, computers, and other research and educational equipment, net of accumulated depreciation

**Table 4** - Capital Assets Net of Depreciation (Rounded)

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 569,800	\$ 544,000
Land improvements	1,275,400	1,275,400
Buildings improvements	3,542,500	3,542,500
Construction in progress	23,500	-
Less: Accumulated depreciation	<u>(2,732,200)</u>	<u>(2,548,900)</u>
Capital assets, net	<u>\$ 2,679,000</u>	<u>\$ 2,813,000</u>

### Long-Term Liabilities

No additional debt was incurred during 2016 and the Library was debt free as of June 30, 2016. 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 costs 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.

## **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, 2016

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### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

#### CURRENT ASSETS:

Cash	\$ 2,992,337
Prepaid expenses	<u>23,282</u>

Total current assets 3,015,619

#### NON-CURRENT ASSETS:

Capital assets, net	<u>2,679,089</u>
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#### DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources - pensions	<u>1,147,144</u>
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES 6,841,852

### LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

#### CURRENT LIABILITIES:

Accounts payable	54,724
Accrued liabilities	15,122
Due to Employees' Retirement System	<u>74,937</u>

Total current liabilities 144,783

#### LONG-TERM LIABILITIES:

Compensated absences	85,898
Net pension liability - ERS	1,236,721
Other postemployment benefits liability	<u>768,002</u>

Total long-term liabilities 2,090,621

#### DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources - pensions	<u>196,002</u>
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TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 2,431,406

#### NET POSITION

Investment in capital assets	2,679,089
Restricted	709,905
Unrestricted	<u>1,021,452</u>

TOTAL NET POSITION \$ 4,410,446

The accompanying notes are an integral part of these statements.

**BETHLEHEM PUBLIC LIBRARY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>Expenses</u>	<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	\$ 2,134,619	\$ -	\$ -	\$ (2,134,619)
Library operations	<u>1,895,726</u>	<u>52,594</u>	<u>27,853</u>	<u>(1,815,279)</u>
TOTAL GOVERNMENT ACTIVITIES	<u>\$ 4,030,345</u>	<u>\$ 52,594</u>	<u>\$ 27,853</u>	<u>(3,949,898)</u>
GENERAL REVENUE:				
Real property taxes				3,906,499
Use of money and property				5,217
Sale of property and compensation for loss				7,277
Gifts and donations				<u>12,275</u>
TOTAL GENERAL REVENUE				<u>3,931,268</u>
CHANGE IN NET POSITION				(18,630)
TOTAL NET POSITION - beginning of year				<u>4,429,076</u>
TOTAL NET POSITION - end of year				<u>\$ 4,410,446</u>

The accompanying notes are an integral part of these statements.

**BETHLEHEM PUBLIC LIBRARY****BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<u>Governmental Fund Types</u>		Total Governmental Funds
	<u>General</u>	<u>Capital Projects</u>	
<b>ASSETS</b>			
Cash	\$ 2,930,156	\$ 62,181	\$ 2,992,337
Due from other funds	1,520	-	1,520
Prepaid expenses	<u>23,282</u>	<u>-</u>	<u>23,282</u>
TOTAL ASSETS	<u>\$ 2,954,958</u>	<u>\$ 62,181</u>	<u>\$ 3,017,139</u>
<b>LIABILITIES</b>			
LIABILITIES			
Accounts payable	\$ 54,724	\$ -	\$ 54,724
Accrued liabilities	15,122	-	15,122
Due to Employees' Retirement System	74,937	-	74,937
Due to other funds	<u>-</u>	<u>1,520</u>	<u>1,520</u>
TOTAL LIABILITIES	<u>144,783</u>	<u>1,520</u>	<u>146,303</u>
<b>FUND BALANCE</b>			
Nonspendable			
Prepaid	\$ <u>23,282</u>	\$ <u>-</u>	\$ <u>23,282</u>
Total nonspendable fund balance	<u>23,282</u>	<u>-</u>	<u>23,282</u>
Restricted			
Capital	<u>649,244</u>	<u>60,661</u>	<u>709,905</u>
Total restricted fund balance	<u>649,244</u>	<u>60,661</u>	<u>709,905</u>
Assigned			
Unappropriated	171,809	-	171,809
Unassigned			
	<u>1,965,840</u>	<u>-</u>	<u>1,965,840</u>
TOTAL FUND BALANCE	<u>2,810,175</u>	<u>60,661</u>	<u>2,870,836</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,954,958</u>	<u>\$ 62,181</u>	<u>\$ 3,017,139</u>

The accompanying notes are an integral part of these statements.

## BETHLEHEM PUBLIC LIBRARY

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2016

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A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balances	\$ 2,870,836
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	2,679,089
Compensated absences at year end in government-wide statements under full accrual accounting	(85,898)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds	(768,002)
GASB 68 related government - wide activity	
Deferred outflows of resources	1,147,144
Net pension liability - ERS	(1,236,721)
Deferred inflows of resources	<u>(196,002)</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u>\$ 4,410,446</u>

The accompanying notes are an integral part of these statements.

**BETHLEHEM PUBLIC LIBRARY**

**STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUE:</b>			
Real property taxes	\$ 3,906,499	\$ -	\$ 3,906,499
Charges for services	52,594	-	52,594
Use of money and property	5,189	28	5,217
Sale of property and compensation for loss	7,277	-	7,277
Gifts and donations	12,275	-	12,275
State sources	<u>23,946</u>	<u>3,907</u>	<u>27,853</u>
 Total revenue	 <u>4,007,780</u>	 <u>3,935</u>	 <u>4,011,715</u>
<b>EXPENDITURES:</b>			
General support	1,446,560	66,047	1,512,607
Library operations	1,407,494	-	1,407,494
Employee benefits	<u>734,676</u>	<u>-</u>	<u>734,676</u>
 Total expenditures	 <u>3,588,730</u>	 <u>66,047</u>	 <u>3,654,777</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	 419,050	 (62,112)	 356,938
<b>OTHER SOURCES AND (USES):</b>			
Operating transfers in	-	95,358	95,358
Operating transfers (out)	<u>(95,358)</u>	<u>-</u>	<u>(95,358)</u>
 Total other sources and (uses)	 <u>(95,358)</u>	 <u>95,358</u>	 <u>-</u>
 EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	 323,692	 33,246	 356,938
 FUND BALANCE - beginning of year	 <u>2,486,483</u>	 <u>27,415</u>	 <u>2,513,898</u>
 FUND BALANCE - end of year	 <u>\$ 2,810,175</u>	 <u>\$ 60,661</u>	 <u>\$ 2,870,836</u>

The accompanying notes are an integral part of these statements.

## BETHLEHEM PUBLIC LIBRARY

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

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Net changes in fund balance - Total governmental funds	\$ 356,938
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	49,375
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(183,352)
Other postemployment benefits do not require the expenditure of current resources and, therefore, are not reported as expenditures in the governmental funds	(87,711)
Compensated absences are not due and payable in the current period and are, therefore not reported in the funds	(2,914)
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	<u>(150,966)</u>
Change in net position - Governmental activities	<u><u>\$ (18,630)</u></u>

The accompanying notes are an integral part of these statements.



# BETHLEHEM PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### 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 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fund Financial Statements (Continued)

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 fund types used by 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, 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 and fund level financial 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.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **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, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

### **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.

### **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 estimated fair market value at the time received.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Capital Assets (Continued)

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. For insurance purposes, these collections have an appraised replacement value of approximately \$2,970,000.

### 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.

### Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

The government has the following items that qualify for reporting in this category:

Deferred charges result from pension contributions made subsequent to the measurement date of the plan.

Deferred charges result from differences between expected and actual experience of the plan.

Deferred charges result from net differences between projected and actual earnings on pension plan investments of the plan.

These amounts are deferred and amortized and expensed against pension expense in future periods.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

The government has the following items that qualify for reporting in this category;

The net amount of the Library's balances of deferred inflows of resources related to pensions is reported in the government-wide Statement of Net Position as deferred inflows of resources. This represents the effect of the net change in the Library's proportion of the collective net pension asset or liability and the difference during the measurement period between the Library's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

### 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 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 employees may become eligible for these benefits if they reach normal retirement age while working for the Library. 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 recognized the current cost of providing benefits for 2016 by recording \$87,711, which is its share of insurance premiums for 15 currently enrolled retirees, as an expenditure in 2016.

In accordance with generally accepted accounting principles, the Library has recorded in the government-wide statement of net position other postemployment benefits totaling \$768,002 as of June 30, 2016.

### Budgetary Procedures and Budgetary Accounting

The Library's administration prepares a proposed budget for approval by the Board of Trustees for the following governmental fund 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Budgetary Procedures and Budgetary Accounting (Continued)**

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. Open encumbrances are reported as restricted fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

### **Restricted Resources**

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.

### **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.

Restricted fund balance includes the following:

Capital	<u>709,905</u>
Total restricted net position	<u>\$ 709,905</u>

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.

#### Governmental Fund Statements

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 fund.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Equity Classifications (Continued)

#### Governmental Fund Statements (Continued)

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:

#### 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.

#### Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit 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.

#### 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.

Committed fund balance – Includes amounts that can be used for the 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. The Library has no committed fund balances as of June 30, 2016.

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 and capital projects fund amounted to \$171,809.

As of June 30, 2016, the Library's encumbrances were classified as follows:

Assigned fund balance:

General support	\$	93,814
Library operations		<u>77,995</u>
Total encumbrances	\$	<u>171,809</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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Equity Classifications (Continued)

#### Governmental Fund Statements (Continued)

##### 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, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

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

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

### **Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities**

Total fund balances of the Library's governmental funds differs from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

### **Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities**

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown below represent:

#### Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.



**3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)**

**Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued)**

Capital Related Differences

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

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

**4. CASH**

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. While the Library does not have a specific policy for custodial credit risk, New York State statutes govern the Library's investment policies, as discussed previously in these notes.

The Library's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, are collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash	\$ 2,940,146	\$ 2,992,337
Collateralized with securities held by the pledging financial institution's trust department or agent in the Library's name	\$ 2,690,146	
Covered by FDIC	<u>250,000</u>	
Total	<u>\$ 2,940,146</u>	

The Library does not typically purchase investments for a long enough duration to cause it to be believed that it is exposed to any material interest rate risk.

The Library does not typically purchase investments denominated in foreign currency, and is not exposed to foreign currency risk.

## 5. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016, is as follows:

	July 1, 2015 <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	June 30, 2016 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Construction in progress	\$ -	\$ 23,481	\$ -	\$ 23,481
Total non-depreciable	<u>\$ -</u>	<u>\$ 23,481</u>	<u>\$ -</u>	<u>\$ 23,481</u>
Capital assets that are depreciated:				
Furniture and equipment	\$ 543,955	\$ 25,894	\$ -	\$ 569,849
Land Improvements	1,275,432	-	-	1,275,432
Buildings	<u>3,542,533</u>	<u>-</u>	<u>-</u>	<u>3,542,533</u>
Total cost	<u>5,361,920</u>	<u>25,894</u>	<u>-</u>	<u>5,387,814</u>
Less: Accumulated depreciation:				
Furniture and equipment	400,326	32,047	-	432,373
Land improvements	400,616	69,971	-	470,587
Buildings	<u>1,747,912</u>	<u>81,334</u>	<u>-</u>	<u>1,829,246</u>
Total accumulated depreciation	<u>2,548,854</u>	<u>183,352</u>	<u>-</u>	<u>2,732,206</u>
Total cost, net	<u>\$ 2,813,066</u>	<u>\$ (157,458)</u>	<u>\$ -</u>	<u>\$ 2,655,608</u>

Depreciation expense was \$183,352 for the year ended June 30, 2016.

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, 2016, all previous debt obligations related to the Library have been fulfilled.

## 6. INTERFUND BALANCES OR ACTIVITY

The following is a summary of interfund activity:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 1,520	\$ -
Capital projects fund	<u>-</u>	<u>1,520</u>
Total government activities	<u>\$ 1,520</u>	<u>\$ 1,520</u>

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.

## 7. PENSION PLAN

### New York State Employee Retirement System

The Library participates in the New York State and Local Employee's 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), 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 (RSSL). 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, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

### *Contributions*

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, 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 for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2016	\$279,244
2015	\$352,065
2014	\$379,498

Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pensions' costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of the employee's covered pensionable salaries.

This law requires all participating employers to make payments on the current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

## 7. PENSION PLAN (Continued)

### New York State Employee Retirement System (Continued)

- Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:
- For state fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on the current basis while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program.

- Chapter 105 of the Laws of 2010 of the State of New York authorizes local governments to make available a retirement benefit incentive program. The costs of the program will be billed and paid over five years beginning February 1, 2012. The Library had no retirement incentive liability at year end.

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

At June 30, 2016, the Library reported a liability of \$1,236,721 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The Library's proportion of the net pension liability was based on a projection of the Library's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016, the Library's proportion was 0.0077053 percent, which was an increase of .0000427% from its proportion measured June 30, 2015.

## 7. PENSION PLAN (Continued)

### New York State Employee Retirement System (Continued)

For the year ended June 30, 2016, the Library recognized pension expense of \$430,210. At June 30, 2016, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,249	\$ 146,593
Changes of Assumptions	329,796	-
Net difference between projected and actual earnings on pension plan investments	733,691	-
Changes in proportion and differences between the Library's contributions and proportionate share of contributions	2,471	49,409
Contributions subsequent to the measurement date	74,937	-
	<u>\$ 1,147,144</u>	<u>\$ 196,002</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2017	\$ 222,527
2018	222,527
2019	222,527
2020	<u>208,624</u>
	<u>\$ 876,205</u>

### **Actuarial Assumptions**

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The total pension liability for the March 31, 2015 measurement date was determined by using an actuarial valuation as of April 1, 2015. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8% in ERS, 4.5% in PFRS, indexed by service
Investment Rate of Return, including inflation	7.0% compounded annually, net of investment expenses
Cost of living adjustments	1.3% compounded annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through 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 equities and fixed income as well as historical investment data and plan performance.

## 7. PENSION PLANS (Continued)

### New York State Employee Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 and 2015 are summarized below:

<u>Asset Class</u>	<u>Long-term expected real rate or return</u>	
	<u>2016</u>	<u>2015</u>
Domestic Equity	7.3%	7.3%
International Equity	8.6%	8.6%
Private Equity	11.0%	11.0%
Real Estate	8.3%	8.3%
Absolute Return	6.8%	6.8%
Opportunistic Portfolio	8.6%	8.6%
Real Asset	8.7%	8.7%
Bonds, Cash & Mortgages	4.0%	4.0%
Cash	2.3%	2.3%
Inflation Indexed Bonds	4.0%	4.0%

### **Discount Rate**

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

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

The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, 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 (6.0%) or 1 percent higher (8.0%) than the current rate:

	<u>1 % Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Proportionate Share of Net Pension liability	\$ 2,788,717	\$ 1,236,721	\$ (74,648)

### **Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of March 31, 2016, were as follows:

	<u>Pension Plan's Fiduciary Net Position</u>	<u>Library's proportionate share of Plan's Fiduciary Net Position</u>	<u>Library's allocation percentage as determined by the Plan</u>
Total pension liability	\$ 172,303,544,000	\$ 13,276,504	0.0077053%
Net position	(156,253,265,000)	(12,039,783)	0.0077053%
Net pension liability (asset)	<u>\$ 16,050,279,000</u>	<u>\$ 1,236,721</u>	0.0077053%
Fiduciary net position as a percentage of total pension liability	90.7%	90.7%	

## 8. OPERATING LEASES

The Library leases office equipment at its facility under an operating lease agreement.

As of June 30, 2016, future minimum lease payments are as follows:

For the Year Ending June 30:

2017	5,280
2018	5,280
2019	<u>2,640</u>
	<u>\$ 13,200</u>

## 9. COMMITMENT

### **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 expires on June 30, 2017.

## 10. OTHER POSTEMPLOYMENT BENEFITS

### **Plan Description**

The Library provides postemployment, (predominately health insurance), coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the Library's contractual agreements. This Library is required to calculate and record a net other postemployment benefit (OPEB) obligation at year-end. The net OPEB obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

### **Annual OPEB Cost and Net OPEB Obligation**

The Library's annual OPEB cost is calculated based on the annual required contribution of the employer, (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years.

## 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

### Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the Library's annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the Library's net OPEB obligation:

Annual required contribution	\$ 165,488
Interest on net OPEB obligation	27,212
Adjustment to ARC	<u>(39,341)</u>
Annual OPEB cost	153,359
Contributions made	<u>(65,648)</u>
Increase in net OPEB obligation	87,711
Net OPEB obligation - beginning of year	<u>680,291</u>
Net OPEB obligation - end of year	<u>\$ 768,002</u>
Percentage of annual OPEB cost contributed	42.8%

*Trend information* – The Library's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<u>Year Ended</u>	<u>OPEB Cost</u>	<u>Contribution (ARC)</u>	<u>OPEB Cost Contributed</u>	<u>% of ARC Contributed</u>	<u>OPEB Obligation</u>
6/30/2016	\$ 153,359	\$ 165,488	\$ 65,648	39.7%	\$ 768,002
6/30/2015	113,283	124,427	57,991	46.6%	680,291
6/30/2014	110,168	120,332	55,225	45.9%	624,999

### Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The OPEB Plan is currently not funded.

### Actuarial Methods and Assumptions

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



## 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

### Actuarial Methods and Assumptions (Continued)

In the July 1, 2015 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Medical care cost trend rate	7.50% initially, based on age of retirees. The rate is reduced by decrements to an ultimate rate of 5.0%, depending on the age of the retirees and their plan.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

\* As the plan is unfunded, the assumed discount rate considers that the Library's investment assets are low risk in nature, such as money market funds or certificates of deposit.

## 11. 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.

## 12. ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED

In June 2015, the GASB issued Statement *No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The Library is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

In August 2015, the GASB issued Statement *No. 77 Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. The Library is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

The Library has not assessed the impact of these statements on its future financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**BETHLEHEM PUBLIC LIBRARY**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUE:					
Real property taxes	\$ 3,913,674	\$ 3,913,674	\$ 3,906,499	\$ -	\$ (7,175)
Charges for services	57,000	57,000	52,594	-	(4,406)
Use of money and property	3,200	3,200	5,189	-	1,989
Sale of property and compensation for loss	5,500	5,500	7,277	-	1,777
Gifts and donations	1,000	1,000	12,275	-	11,275
State sources	<u>23,000</u>	<u>23,000</u>	<u>23,946</u>	<u>-</u>	<u>946</u>
Total revenue	<u>4,003,374</u>	<u>4,003,374</u>	<u>4,007,780</u>	<u>-</u>	<u>4,406</u>
EXPENDITURES:					
General support	1,610,971	1,640,721	1,446,560	93,814	100,347
Library operations	1,484,083	1,545,210	1,407,494	77,995	59,721
Employee benefits	<u>793,320</u>	<u>793,320</u>	<u>734,676</u>	<u>-</u>	<u>58,644</u>
Total expenditures	<u>3,888,374</u>	<u>3,979,251</u>	<u>3,588,730</u>	<u>171,809</u>	<u>218,712</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	115,000	24,123	419,050	(171,809)	223,118
OTHER SOURCES AND (USES):					
Operating transfers (out)	<u>(115,000)</u>	<u>(115,000)</u>	<u>(95,358)</u>	<u>-</u>	<u>19,642</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	(90,877)	323,692	(171,809)	242,760
FUND BALANCE - beginning of year	<u>2,486,483</u>	<u>2,486,483</u>	<u>2,486,483</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 2,486,483</u>	<u>\$ 2,395,606</u>	<u>\$ 2,810,175</u>	<u>\$ (171,809)</u>	<u>\$ 242,760</u>

See independent auditors report.

**BETHLEHEM PUBLIC LIBRARY**

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS PLAN (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2016**

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Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a percentage of Covered Payroll
July 1, 2015	\$ -	\$ 1,897,592	\$ 1,897,592	0.0%	N/A	N/A
July 1, 2012	\$ -	\$ 1,278,134	\$ 1,278,134	0.0%	N/A	N/A
July 1, 2012	\$ -	\$ 1,278,134	\$ 1,278,134	0.0%	N/A	N/A

See independent auditors report.

**BETHLEHEM PUBLIC LIBRARY**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2016**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>										
Proportion of the net pension liability (asset)	0.0077053%	0.0076626%								
Proportionate share of the net pension liability (asset)	\$ 1,236.7	\$ 258.9								
Covered-employee payroll	\$ 1,924.9	\$ 1,767.1								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	64.2%	14.7%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.7%	97.9%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**BETHLEHEM PUBLIC LIBRARY**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2016**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 273.2	\$ 377.5								
Contributions in relation to the contractually required contribution	<u>273.2</u>	<u>377.5</u>								
Contribution deficiency (excess)	\$ -	\$ -								
Covered-employee payroll	\$ 1,924.9	\$ 1,767.1								
Contributions as a percentage of covered-employee payroll	14.19%	21.36%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**OTHER REQUIRED REPORT**

**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**

November 21, 2016

To the Board of Trustees of  
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 and each major fund of Bethlehem Public Library (the Library) as of and for the year ended June 30, 2016, and the related notes to the financial statements to the Library's basic financial statements and have issued our report thereon dated November 21, 2016.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

**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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

## **BETHLEHEM PUBLIC LIBRARY**

### **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2016**

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#### **Section I - Financial Statement Findings**

There were no instances of significant deficiencies, material weaknesses, or noncompliance that are required to be reported under *Government Auditing Standards*.

#### **Section II - Status of Prior Year Findings**

There were no prior year findings.