

November 15, 2022

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, 2022, and have issued our report thereon dated November 15, 2022. 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 24, 2022. 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. The Library adopted new accounting standards, GASB Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in 2021-2022. No other significant accounting policies were adopted and the application of existing policies was not changed during 2021-2022. 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, 2022 (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 6).

Management's estimate of the other postemployment benefit is based on an actuarial calculation from a third party actuary (Note 7).

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 4 - Capital Assets, Note 6 - Pension Plan, and Note 7 - 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. There were no such misstatements. There were no passed/unrecorded adjustments.

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 15 , 2022.

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, 2022**

BETHLEHEM PUBLIC LIBRARY

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bethlehem Public Library

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bethlehem Public Library as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bethlehem Public Library, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bethlehem Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bethlehem Public Library's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 9, budgetary comparison information on page 36, schedule of changes in total OPEB liability on page 37, schedule of proportionate share of the net pension liability (asset) on page 38, and schedule of contributions to employees' retirement system on page 39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 15, 2022, 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 Bethlehem Public 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 15, 2022

BETHLEHEM PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, 2022. 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 increased from \$3,250,300 to \$4,408,400 as depicted in the following table.

Table 1 - Net Position (Rounded) Governmental Activities

	<u>2022</u>	<u>2021</u>
Current assets	\$ 4,322,700	\$ 3,879,000
Noncurrent assets	<u>3,561,300</u>	<u>3,074,100</u>
Total assets	7,884,000	6,953,100
Deferred outflows of resources	<u>1,204,500</u>	<u>1,607,000</u>
Total assets and deferred outflows of resources	<u>\$ 9,088,500</u>	<u>\$ 8,560,100</u>
Current liabilities	\$ 191,400	\$ 169,000
Long-term liabilities	<u>2,219,600</u>	<u>2,832,800</u>
Total liabilities	2,411,000	3,001,800
Deferred inflows of resources	<u>2,269,100</u>	<u>2,308,000</u>
Total liabilities and deferred inflows of resources	<u>\$ 4,680,100</u>	<u>\$ 5,309,800</u>
Net position:		
Invested in capital assets	\$ 2,914,000	\$ 3,074,100
Unrestricted	<u>1,494,400</u>	<u>176,200</u>
Total net position	<u>\$ 4,408,400</u>	<u>\$ 3,250,300</u>

THE GOVERNMENT AS A WHOLE (Continued)

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

	<u>2022</u>	<u>2021</u>
Revenues:		
Program revenue:		
Charges for services	\$ 32,800	\$ 7,200
Operating grants	24,400	24,400
General revenue:		
Real property taxes	4,391,800	4,386,100
Use of money and property	4,800	6,700
Sale of property and compensation for loss	-	-
Gifts and donations	<u>6,200</u>	<u>9,500</u>
Total revenue	<u>4,460,000</u>	<u>4,433,900</u>
Program expenses:		
General support	1,732,600	2,171,900
Library operations	<u>1,569,400</u>	<u>2,173,400</u>
Total expenses	<u>3,302,000</u>	<u>4,345,300</u>
Change in net position	<u>\$ 1,158,000</u>	<u>\$ 88,600</u>

The Library's fiscal year 2022 revenue totaled approximately \$4,460,000 (see Table 2). Property taxes accounted for 98% and 99% of total revenue for the years ended June 30, 2022 and 2021, respectively. Approximately 48% and 50% of total expenses were comprised of salary for librarians and support staff for the years ended June 30, 2022 and 2021, respectively.

THE GOVERNMENT AS A WHOLE (Continued)

Table 3 - Governmental Activities (Rounded)

	<u>2022</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General support	\$ 1,732,600	\$ 1,732,600
Library operations	<u>1,569,400</u>	<u>1,512,200</u>
Totals	<u>\$ 3,302,000</u>	<u>\$ 3,244,800</u>

	<u>2021</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General support	\$ 2,171,900	\$ 2,171,900
Library operations	<u>2,173,400</u>	<u>2,141,800</u>
Totals	<u>\$ 4,345,300</u>	<u>\$ 4,313,700</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 \$3,302,015.
- The users of the Library's programs financed \$32,793 of the costs.
- State operating grants subsidized certain programs with contributions in the amount of \$24,401.
- Most of the Library's net costs (\$3,244,821) 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 \$421,180 and a fund balance of \$4,131,276. There was no Capital Projects Fund activity during the year ended June 30, 2022.

GENERAL FUND BUDGETARY HIGHLIGHTS

In the 2022 budget, general fund revenue was projected to be \$4,452,303 and actual revenue was \$4,460,030 resulting in a favorable variance of \$7,727.

Expenditures were budgeted, after adjustments, at \$4,526,964; actual expenditures were \$4,038,850 resulting in a favorable variance of \$421,379 after applying encumbrances. The majority of the favorable variance was due to savings in budgeted staff salaries and benefits, savings in print materials due to supply chain issues, and savings in capital expenditures.

The final budget had anticipated that the fund balance would be drawn down by \$74,661, but actual results was an increase in fund balance of \$421,180.

The general fund balance at the end of the year was \$4,131,276. 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, 2022, the Library had \$2.91 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>2022</u>	<u>2021</u>
Furniture and equipment	\$ 805,000	\$ 784,600
Land/land improvements	803,000	803,000
Buildings/building improvements	5,124,300	5,124,300
Less: accumulated depreciation	<u>(3,818,300)</u>	<u>(3,637,800)</u>
Capital assets, net	<u>\$ 2,914,000</u>	<u>\$ 3,074,100</u>

Long-Term Liabilities

No new debt was incurred during 2022 and the Library was debt free as of June 30, 2022. 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.

As of June 30, 2022, the library has fully reopened. Circulation is near pre-COVID levels. Patrons have greater access to physical materials and programming has recommenced, curbside pickup is still available, and patrons are again utilizing public meeting rooms. The library trustees have hired an architect to begin planning for a renovation project. The Board anticipates using a portion of the Library's Fund Balance for expenses relating to the planning process.

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, 2022**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets	
Cash	\$ 3,293,988
Investments	999,938
Prepaid expenses	28,745
Total Current Assets	4,322,671
Noncurrent Assets	
Capital assets, net	2,913,995
Net pension Asset - ERS	647,319
Total Noncurrent Assets	3,561,314
Deferred Outflows of Resources	
Pension	1,204,537
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,088,522

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current Liabilities	
Accounts payable	\$ 115,094
Accrued liabilities	18,162
Due to employees' retirement system	58,139
Total Current Liabilities	191,395
Long-Term Liabilities	
Compensated absences	106,647
Other postemployment benefits	2,112,986
Total Long-Term Liabilities	2,219,633
Deferred Inflows of Resources	
Pension	2,269,129
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,680,157

NET POSITION

Investment in capital assets	2,913,995
Unrestricted	1,494,370
Total Net Position	4,408,365
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 9,088,522

**BETHLEHEM PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

		<u>Program Revenue</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Change in Net Position</u>
Government Activities				
General support	\$ 1,732,619	\$ -	\$ -	\$ (1,732,619)
Library operations	1,569,396	32,793	24,401	(1,512,202)
Total Government Activities	<u>\$ 3,302,015</u>	<u>\$ 32,793</u>	<u>\$ 24,401</u>	<u>(3,244,821)</u>
General Revenue				
Real property taxes				4,391,827
Use of money and property				4,802
Gifts and donations				6,207
Total General Revenue				<u>4,402,836</u>
Change in Net Position				1,158,015
Net Position, Beginning of Year				<u>3,250,350</u>
Net Position, End of Year				<u>\$ 4,408,365</u>

See accompanying notes to financial statements.

**BETHLEHEM PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS
AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCE TO GOVERNMENT-WIDE NET POSITION
JUNE 30, 2022**

	<u>General</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash	\$ 3,293,988	\$ 3,293,988
Investments	999,938	999,938
Prepaid expenses	28,745	28,745
	\$ 4,322,671	\$ 4,322,671
Total Assets	\$ 4,322,671	\$ 4,322,671
LIABILITIES		
Accounts payable	\$ 115,094	\$ 115,094
Accrued liabilities	18,162	18,162
Due to employees' retirement system	58,139	58,139
	191,395	191,395
Total Liabilities	191,395	191,395
FUND BALANCE		
Nonspendable - Prepaid	28,745	28,745
Assigned - Unappropriated	66,735	66,735
Unassigned	4,035,796	4,035,796
	4,131,276	4,131,276
Total Fund Balance	4,131,276	4,131,276
Total Liabilities and Fund Balance	\$ 4,322,671	\$ 4,322,671

Amounts reported for governmental activities in the statement of net position are different due to the following:

Fund balance, all governmental funds	\$ 4,131,276
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	2,913,995
Compensated absences at year end in government-wide statements under full accrual accounting	(106,647)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds	(2,112,986)
GASB 68 related government-wide activity	
Deferred outflows of resources	1,204,537
Net pension asset - ERS	647,319
Deferred inflows of resources	(2,269,129)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 4,408,365

**BETHLEHEM PUBLIC LIBRARY
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>General</u>	<u>Total Governmental Funds</u>
Revenue		
Real property taxes	\$ 4,391,827	\$ 4,391,827
Charges for services	32,793	32,793
Use of money and property	4,802	4,802
Gifts and donations	6,207	6,207
State sources	24,401	24,401
	4,460,030	4,460,030
Total Revenue		
	4,460,030	4,460,030
Expenditures		
General support	1,611,839	1,611,839
Library operations	1,629,084	1,629,084
Employee benefits	777,610	777,610
Capital outlay	20,317	20,317
	4,038,850	4,038,850
Total Expenditures		
	4,038,850	4,038,850
Excess of Revenue Over Expenditures		
	421,180	421,180
Fund Balance, Beginning of Year		
	3,710,096	3,710,096
Fund Balance, End of Year		
	\$ 4,131,276	\$ 4,131,276

See accompanying notes to financial statements.

**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, 2022**

Net changes in fund balance - total governmental funds	\$	421,180
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position		20,317
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities		(180,469)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported as expenditures in the governmental funds		585,908
Compensated absences are not due and payable in the current period and are therefore not reported in the funds		19,540
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>291,539</u>
Change in Net Position - Governmental Activities	\$	<u><u>1,158,015</u></u>

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

1. NATURE OF OPERATIONS

Bethlehem Public Library provides library services to residents within the geographic borders of the Bethlehem Central School Library 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, 2022

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, 2022**

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 finance leases are reported as other financing sources.

Cash and Investments

The Library's cash consists of cash on hand and demand deposits. The Library's investment is a U.S. Treasury Security. 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, 2022.

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 \$-0- as of June 30, 2022.

Property Taxes

Real property taxes are levied annually by the Board of Education of Bethlehem Central School Library (School Library) no later than September 1, and become a lien on September 1. Taxes are collected by the Bethlehem School Library 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, 2022**

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	5-15
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 \$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, 2022

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 6 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 7). 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, another postemployment benefits liability totaling \$2,112,986 as of June 30, 2022.

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Equity Classifications

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 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, 2022.

BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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 \$66,735.

As of June 30, 2022, the Library's encumbrances were classified as follows:

General support, including capital outlay	\$ 9,090
Library operations	57,092
Employee benefits	<u>553</u>
Total Encumbrances	<u>\$ 66,735</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, non-spendable 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.

3. CASH AND INVESTMENTS

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the Library's agent in the Library's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the Library's name, or (3) uncollateralized. At June 30, 2022, all deposits were fully insured and collateralized by the Library's agent in the Library's name.

Investment and Deposit Policy

The Library follows an investment and deposit policy, the objectives of which are to adequately safeguard the principal amounts of funds invested or deposited; conformance with Federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Treasurer of the Library.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Library's investment policy does not limit investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

3. CASH AND INVESTMENTS

Credit Risk

The Library's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Library's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts
- Certificates of deposit
- Obligations of the United States Treasury and United States agencies
- Obligations of New York State and its localities

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Library's investment and deposit policy, all deposits of the Library including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits.

The Library limits investments to the following eligible items:

- Obligations issue, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and the United States agencies
- Obligations issued or fully insured or guaranteed by New York State and its localities
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization

Investments

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

3. CASH AND INVESTMENTS

Investments

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

At June 30, 2022, the Library held \$999,938 in investments consisting principally of U.S. Treasury securities with a maturity of less than 1 year. The following valuation inputs are included as investments:

Investments at Value	<u>Valuation Inputs</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money Market	\$ 6,798	\$ -	\$ -	\$ 6,798
U.S. Treasury Bills	<u>-</u>	<u>993,140</u>	<u>-</u>	<u>993,140</u>
Total	<u>\$ 6,798</u>	<u>\$ 993,140</u>	<u>\$ -</u>	<u>\$ 999,938</u>

For the year ended June 30, 2022, the portfolio did not have significant unobservable inputs (Level 3) used in determining fair value. Thus, a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value is not applicable.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period. The portfolio recognizes transfers between the levels as of the beginning of the fiscal year.

Risks and Uncertainties with Investments

The Library invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the financial statements.

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

4. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2022, 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	\$ -	\$ -	\$ -	\$ -
Total Non-Depreciable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets that are depreciated				
Furniture and equipment	784,622	20,317	-	804,939
Land/improvements	803,017	-	-	803,017
Buildings/improvements	<u>5,124,331</u>	<u>-</u>	<u>-</u>	<u>5,124,331</u>
Total Cost	<u>6,711,970</u>	<u>20,317</u>	<u>-</u>	<u>6,732,287</u>
Less accumulated depreciation:				
Furniture and equipment	572,347	25,080	-	597,427
Land/improvements	570,364	48,434	-	618,798
Buildings/improvements	<u>2,495,112</u>	<u>106,955</u>	<u>-</u>	<u>2,602,067</u>
Total Accumulated Depreciation	<u>3,637,823</u>	<u>180,469</u>	<u>-</u>	<u>3,818,292</u>
Total Capital Assets, Net	<u>\$ 3,074,147</u>	<u>\$ (160,152)</u>	<u>\$ -</u>	<u>\$ 2,913,995</u>

Depreciation expense was \$180,469 for the year ended June 30, 2022.

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, 2022, all previous debt obligations related to the Library have been fulfilled.

5. 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.

6. 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

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

6. PENSION PLAN

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:

2021-22	\$	316,827
2020-21		287,751
2019-20		283,977

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, 2022**

6. PENSION PLAN

Pension Liabilities

At June 30, 2022, 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, 2022. 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, 2021
Net pension liability (asset)	\$(647,319)
Library's portion of the Plan's total net pension liability	0.0079187%

Pension Expense

For the year ended June 30, 2022, the Library recognized its proportionate share of pension expense of \$29,277.

Deferred Outflows and Inflows of Resources Related to Pension

At June 30, 2022, 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	\$ 49,022	\$ 63,585
Changes of assumptions	1,080,303	18,229
Net differences between projected and actual earnings on pension plan investments	-	2,119,699
Changes in proportion and differences between the Library's contributions and proportionate share of contributions	17,073	67,616
Contributions subsequent to the measurement date	<u>58,139</u>	<u>-</u>
	<u>\$ 1,204,537</u>	<u>\$ 2,269,129</u>

The Library's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended March 31, 2023. 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:	
2023	\$ (183,720)
2024	(253,400)
2025	(564,659)
2026	<u>(120,952)</u>
	<u>\$ (1,122,731)</u>

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

6. 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, 2022
Actuarial valuation date	April 1, 2021
Interest Rate	5.9%
Salary Scale	4.4%
Decrement tables	April 1, 2015 - March 31, 2020 System's experience
Inflation rate	2.7%
Projected cost of living adjustments	1.4% annually

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2020. The actuarial assumptions used in the April 1, 2021 valuation are based on the results of actuarial experience study for the period April 1, 2015 - March 31, 2020.

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, 2022**

6. PENSION PLAN

Actuarial Assumptions

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic equity	32%	3.30%
International equity	15%	5.85
Private equity	10%	6.50
Real estate	9%	5.00
Opportunistic/Absolute return strategy	3%	4.10
Credit	4%	3.78
Real assets	3%	5.80
Fixed income	23%	0.00
Cash	<u>1%</u>	(1.00)
	<u>100%</u>	

* Real rate of return is net of the long-term inflation assumption of 2.5% for 2022.

Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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/(asset) calculated using the discount rate of 5.9%, as well as what the Library's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percent lower (4.9%) or 1 percent higher (6.9%) than the current rate:

	<u>1% Decrease (4.9%)</u>	<u>Current Assumption (5.9%)</u>	<u>1% Increase (6.9%)</u>
Proportionate share of net pension liability (asset)	\$ <u>1,666,193</u>	\$ <u>(647,319)</u>	\$ <u>(2,582,460)</u>

BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

6. 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, 2022, is \$4,219.

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, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022, based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022, were \$58,139.

7. 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, 2022 were \$103,642.

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

7. 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	19
Inactive employees entitled but not receiving benefits	-
Active employees	<u>31</u>
Total Participants	<u><u>50</u></u>

Net OPEB Liability

The Library's total OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2021. The changes in the Library's net OPEB liability were as follows:

Service cost	\$ 96,626
Interest cost	52,542
Difference between expected and actual experience, changes in assumptions	(631,434)
Benefit payments	<u>(103,642)</u>
Decrease in net OPEB liability	(585,908)
 Net OPEB Liability - Beginning of Year	 <u>2,698,894</u>
 Net OPEB Liability - End of Year	 <u>\$ 2,112,986</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.25%
Rate of compensation increase	2.00%
Discount rate	3.69%
Healthcare Cost Trend Rates:	
Pre-65 Medical trend rates:	
Assumed rate for 2022	6.75%
Ultimate trend rate	3.78%
Year of ultimate trend rate	2075
Post-65 Medical trend rates:	
Assumed rate for 2022	4.40%
Ultimate trend rate	3.78%
Year of ultimate trend rate	2075

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

7. OTHER POSTEMPLOYMENT BENEFITS

Actuarial Assumptions and Other Inputs

Prescription drug trend rates:	
Assumed rate for 2022	6.75%
Ultimate trend rate	3.78%
Year of ultimate trend rate	2075
Medicare Part B drug trend rates:	
Assumed rate for 2022	5.75%
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. The discount rate increased from 1.92% to 3.69% for 2022.

Prior to June 30, 2022, 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-2020 mortality improvement scale on a generational basis was used.

As of June 30, 2022, 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-2021 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>2.69%</u>	<u>3.69%</u>	<u>4.69%</u>
Total OPEB Liability	\$ <u>2,435,389</u>	\$ <u>2,112,986</u>	\$ <u>1,852,462</u>

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

7. 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	\$ <u>1,814,602</u>	\$ <u>2,112,986</u>	\$ <u>2,494,398</u>

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

For the years ended June 30, 2022, the Library recognized OPEB expense of \$(585,908). At June 30, 2022, the Library did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

8. LONG-TERM LIABILITIES

The changes in long-term liabilities and activity for the year ended June 30, 2022 are summarized as follows:

	<u>Balance July 1,</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30,</u>
Compensated Absences	\$ 126,187	\$ -	\$ 19,540	\$ 106,647
Other Postemployment Benefits (see Note 7)	2,698,894	149,168	735,076	2,112,986
Net Pension Liability	<u>7,744</u>	<u>-</u>	<u>7,744</u>	<u>-</u>
Total	<u>\$ 2,832,825</u>	<u>\$ 149,168</u>	<u>\$ 762,360</u>	<u>\$ 2,219,633</u>

Additions and deletions to compensated absences is shown net since it is impractical to determine these amounts separately.

9. 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.

**BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

9. RISK MANAGEMENT

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.

10. 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, 2022.

<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	\$ 117,727,500	\$ 3,681,244	\$ 219,916	\$ 65,141

BETHLEHEM PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

11. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

The Library has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable and effective for the year ending June 30, 2022, including early adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023, none of which had a significant impact to the financial statements.

Future Changes in Accounting Standards

GASB has issued Statement No. 91, *Conduit Debt Obligation*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 99, *Omnibus 2022*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 100, *Accounting Changes and Error Corrections*, effective for the year ending June 30, 2024.

GASB has issued Statement No. 101, *Compensated Absences*, effective for the year ending June 30, 2025.

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.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 15, 2022, 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, 2022**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue					
Real property taxes	\$ 4,392,133	\$ 4,392,133	\$ 4,391,827	\$ -	\$ (306)
Charges for services	22,500	22,500	32,793	-	10,293
Use of money and property	7,500	7,500	4,802	-	(2,698)
Sale of property and compensation for loss	5,000	5,000	-	-	(5,000)
Gifts and donations	2,000	2,000	6,207	-	4,207
State sources	23,170	23,170	24,401	-	1,231
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue	4,452,303	4,452,303	4,460,030	-	7,727
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures					
General support, including capital outlay	1,846,841	1,858,350	1,632,156	9,090	217,104
Library operations	1,764,711	1,827,863	1,629,084	57,092	141,687
Employee benefits	840,751	840,751	777,610	553	62,588
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	4,452,303	4,526,964	4,038,850	66,735	421,379
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	-	(74,661)	421,180		
Fund Balance, Beginning of Year	3,710,096	3,710,096	3,710,096		
	<hr/>	<hr/>	<hr/>		
Fund Balance, End of Year	\$ 3,710,096	\$ 3,635,435	\$ 4,131,276		
	<hr/>	<hr/>	<hr/>		

**BETHLEHEM PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022**

	Last 10 Fiscal Years*				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Service cost	\$ 96,626	\$ 71,572	\$ 56,201	\$ 60,962	\$ 60,885
Interest cost	52,542	60,545	67,926	76,704	73,652
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience and change of assumptions	(631,434)	223,786	244,028	17,049	(19,741)
Benefit payments	(103,642)	(113,318)	(95,101)	(58,786)	(70,903)
Net Change in Total OPEB Liability	<u>(585,908)</u>	<u>242,585</u>	<u>273,054</u>	<u>95,929</u>	<u>43,893</u>
Total OPEB Liability - beginning	<u>2,698,894</u>	<u>2,456,309</u>	<u>2,183,255</u>	<u>2,087,326</u>	<u>2,043,433</u>
Total OPEB Liability - ending	<u>\$ 2,112,986</u>	<u>\$ 2,698,894</u>	<u>\$ 2,456,309</u>	<u>\$ 2,183,255</u>	<u>\$ 2,087,326</u>
Covered employee payroll	\$ 1,830,255	\$ 1,798,845	\$ 1,697,844	\$ 1,753,073	\$ 1,784,854
Total OPEB Liability as a percentage of covered employee payroll	115.45%	150.03%	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, 2022**

	ERS Pension Plan Last 10 Fiscal Years							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.0079187%	0.0077767%	0.0078186%	0.0075665%	0.0078766%	0.0080026%	0.0077053%	0.0076626%
Proportionate share of the net pension liability(asset)	\$ (647,319)	\$ 7,744	\$ 2,070,405	\$ 536,107	\$ 254,200	\$ 751,900	\$ 1,236,700	\$ 258,900
Covered employee payroll	\$ 2,174,061	\$ 2,025,113	\$ 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	-29.8%	0.4%	103.3%	26.7%	13.2%	39.1%	70.0%	13.3%
Plan fiduciary net position as a percentage of the total pension liability	103.65%	99.95%	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, 2022**

	ERS Pension Plan Last 10 Fiscal Years							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 316,827	\$ 287,751	\$ 283,977	\$ 283,683	\$ 293,100	\$ 297,200	\$ 273,200	\$ 377,500
Contributions in relation to the contractually required contribution	<u>(316,827)</u>	<u>(287,751)</u>	<u>(283,977)</u>	<u>(283,683)</u>	<u>(293,100)</u>	<u>(297,200)</u>	<u>(273,200)</u>	<u>(377,500)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,174,061	\$ 2,025,113	\$ 2,004,690	\$ 2,010,156	\$ 1,931,800	\$ 1,924,900	\$ 1,767,100	\$ 1,944,100
Contributions as a percentage of covered employee payroll	14.57%	14.21%	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, 2022, 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 15, 2022.

Report on 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, and therefore material weaknesses or significant deficiencies may exist that were not identified. 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 15, 2022