

**WESTCHESTER LIBRARY SYSTEM**  
**Trustee Meeting**  
**April 24, 2018 – Approval Pending**

**REGULAR MEETING**

The Regular Meeting of the Westchester Library System was called to order by Sean Ryan, President, at 6:05 p.m. at WLS Headquarters. The quorum requirement was met with the following people in attendance:

Board Members present: Dave Donelson, Cathy Draper, Hope Furth, Karen Kelley, Jonathan Marshall, Susan Morduch, Sue Neale, Sean Ryan, Edris Scherer, Bernie Seiler

Board Members absent: LaRuth Gray, Julie Mills-Worthey, Alex Payan, Karen Zevin

Also present from WLS were: Terry Kirchner (via phone), Patricia Brigham, Francine Feuerman, Elise Burke

Public Library Directors Association (PLDA) Representative: Karen LaRocca-Fels, Director of Ossining Public Library

Guests: Maureen Petry, Director, Warner Library (Tarrytown)

**MINUTES**

The minutes of the meeting of March 27, 2018, were accepted on a motion by Ms. Scherer and seconded by Ms. Morduch. The motion passed unanimously.

**COMMITTEE REPORTS**

***Nominating Committee:*** Ms. Morduch, Chair, nominated Joseph Puglia, who has agreed, to fill the vacant term as the representative for WLS District XV [Yonkers] expiring 12/31/2019. Mr. Puglia is now retired after a career in education. The Board approved his appointment on a motion from Ms. Morduch and seconded by Ms. Draper. The motion passed unanimously. The oath will be administered accordingly.

***Audit Committee:*** Ms. Feuerman noted that the Audit Committee met on 4/23/18 with the auditors to review the details of Financial Statements and Report to Those Charged with Governance for the year ending 12/31/17. Two minor revisions were made to the original draft. On page 4, the post retirement benefits payable line was broken out into an additional line for pension and post-retirement related changes other than net periodic pension costs; and on page 10, under Part 6 Property and equipment, the sentence regarding 2016 depreciation activity was removed. Overall there were no irregularities of concern, and a few recommendations for process improvements were made. The Audit Committee recommended acceptance of both reports.

The Board approved the *Financial Statements Years Ended December 31, 2017 and 2016 and Report to Those Charged with Governance for the Year Ended December 31, 2017* as submitted (see attached) on a motion by Mr. Donelson and seconded by Ms. Furth. The motion was approved unanimously.

## **PLDA LIAISON'S REPORT**

Ms. LaRocca-Fels reviewed the topics discussed at the April PLDA meeting: formation of a Committee to review the new ILS (Integrated Library System); approval of OverDrive Advantage Plus as the e-book platform for WLS; Mr. Donelson's presentation regarding Expanding Digital Inclusion and the Innovation Group; and Ms. Thompson's presentation regarding the Central Library's role and importance of print material.

## **ADJOURNMENT**

Having completed its agenda, the Board adjourned its meeting at 6:30 p.m. on a motion by Ms. Scherer and seconded by Mr. Seiler. The motion passed unanimously.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bernie Seiler" with a small flourish at the end.

Bernie Seiler  
Secretary



***FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2017 AND 2016***

DRAFT

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## INDEPENDENT AUDITORS' REPORT

To The Board of Trustees of  
Westchester Library System  
Tarrytown, New York

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Westchester Library System which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### ***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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Westchester Library System as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Saddle Brook, New Jersey

April XX, 2018

WESTCHESTER LIBRARY SYSTEM  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2017	2016
Cash	\$ 3,794,703	\$ 3,691,561
Grants receivable	250,000	280,522
Accounts and other receivables	99,752	72,116
Prepaid expenses	568,037	701,656
Computer inventory	42,597	31,090
Property and equipment, net	936,832	881,548
Intangible assets	10,000	
<b>Total assets</b>	<b>\$ 5,701,921</b>	<b>\$ 5,658,493</b>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 449,887	\$ 470,535
Deferred revenue	624,430	646,284
Deferred rent	293,556	146,026
Post-retirement benefits payable	4,380,908	4,023,673
<b>Total liabilities</b>	<b>5,748,781</b>	<b>5,286,518</b>
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Undesignated	3,667,374	3,711,655
Accumulated post-retirement benefits	(4,380,908)	(4,023,673)
Board designated	491,986	487,853
<b>Total unrestricted</b>	<b>(221,548)</b>	<b>175,835</b>
Temporarily restricted	174,688	196,140
<b>Total net assets</b>	<b>(46,860)</b>	<b>371,975</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,701,921</b>	<b>\$ 5,658,493</b>

The accompanying notes are an integral part  
of these financial statements.

WESTCHESTER LIBRARY SYSTEM  
STATEMENTS OF ACTIVITIES

	Year ended December 31, 2017		Year ended December 31, 2016	
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted
Operating support and revenues:				
Support and revenues:				
Governmental support:				
State grants	\$ 2,234,011	\$ 238,266	\$ 2,472,277	\$ 215,095
County grants	1,000,000	17,460	1,017,460	17,460
Federal grants				166,414
Total governmental support	3,234,011	255,726	3,489,737	398,969
Private support:				
Contributions	6,466	147,425	153,891	234,618
Special events, net of direct expenses of \$13,158 and \$15,733 for 2017 and 2016, respectively	(496)		(496)	
Total private support	5,970	147,425	153,395	234,618
Total governmental and private support	3,239,981	403,151	3,643,132	633,587
Revenues:				
Member technology fees	2,732,114		2,732,114	2,727,764
Interest income	9,708		9,708	6,854
Other revenue	42,585		42,585	42,961
Total revenues	2,784,407		2,784,407	2,777,579
Net assets released from restrictions	424,603	(424,603)	545,184	(545,184)
Total operating support and revenues	6,448,991	(21,452)	6,427,539	88,403
Operating expenses:				
Program services:				
Technology	2,800,601		2,800,601	2,557,599
Public service	2,628,543		2,628,543	2,612,132
Total program services	5,429,144		5,429,144	5,169,731
Supporting services:				
Management and general	1,077,267		1,077,267	1,158,169
Fundraising	155,965		155,965	159,055
Total supporting services	1,233,232		1,233,232	1,317,224
Total operating expenses	6,662,376		6,662,376	6,486,955
Change in net assets before changes in post-retirement benefit obligation	(213,385)	(21,452)	(234,837)	88,403
Changes in post-retirement benefit obligation other than periodic costs	(183,998)		(183,998)	231,088
Change in net assets	(397,383)	(21,452)	(418,835)	88,403
Net assets, beginning of year	175,835	196,140	371,975	107,737
Net assets, end of year	\$ (221,548)	\$ 174,688	\$ (46,860)	\$ 196,140

The accompanying notes are an integral part of these financial statements.

WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (418,835)	\$ 381,250
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	199,963	115,311
Pension and post-retirement related changes other than net periodic pension costs	183,998	(231,088)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	30,522	56,722
Accounts and other receivables	(27,636)	(1,864)
Prepaid expenses	133,619	(250,253)
Computer inventory	(11,507)	706
Security deposits		35,737
Increase (decrease) in:		
Accounts payable	(20,648)	48,911
Deferred revenue	(21,854)	(5,465)
Deferred rent	147,530	146,026
Post retirement benefits payable	173,237	138,413
Net cash provided by operating activities	<u>368,389</u>	<u>434,406</u>
Cash flows from investing activities:		
Purchase of intangibles	(10,000)	
Purchases of property and equipment	<u>(255,247)</u>	<u>(702,770)</u>
Net cash used in investing activities	<u>(265,247)</u>	<u>(702,770)</u>
Net increase (decrease) in cash	103,142	(268,364)
Cash, beginning of year	<u>3,691,561</u>	<u>3,959,925</u>
Cash, end of year	<u>\$ 3,794,703</u>	<u>\$ 3,691,561</u>

The accompanying notes are an integral part of these financial statements.



WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2017 and 2016

	Program services				Total
	Technology		Public service		
	2017	2016	2017	2016	
Salaries	\$ 873,663	\$ 859,281	\$ 1,001,209	\$ 960,058	\$ 1,874,872
Fringe benefits	338,822	315,050	369,287	348,351	707,609
<b>Total salaries and related expenses</b>	<b>1,211,985</b>	<b>1,174,331</b>	<b>1,370,496</b>	<b>1,308,409</b>	<b>2,582,481</b>
Professional fees	6,443	5,355	996	515	7,439
Equipment	111,593	113,435	736	1,450	112,329
Books, film, etc.	95,016	129,828	91,289	129,828	186,305
Periodicals	63,202	11,125	60,724	11,125	123,926
Rent and utilities	118,507	101,525	150,204	140,983	268,711
Repairs and maintenance	423,294	347,733	3,646	5,383	426,940
Supplies	2,949	5,342	13,533	18,217	16,482
Telephone and internet	317,662	304,434	400	292	318,062
Printing and postage	130	863	42,621	26,461	42,751
Database	198,216	201,360	256,822	261,129	455,038
Professional development	4,897	2,899	59,594	52,650	64,491
Travel	8,575	8,498	9,745	9,113	18,320
Memberships	370	646	843	603	1,213
Contractual services	37,884	38,317	159,925	271,887	197,809
Delivery service		615	404,688	370,096	404,688
Insurance	10,560	8,673			10,560
Miscellaneous	3,352	2,600	2,281	3,991	5,633
Depreciation	185,966	100,020			185,966
<b>Total operating expenses</b>	<b>\$ 2,800,601</b>	<b>\$ 2,557,599</b>	<b>\$ 2,628,543</b>	<b>\$ 2,612,132</b>	<b>\$ 5,429,144</b>
					<b>\$ 5,169,731</b>

The accompanying notes are an integral part of these financial statements.

WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2017 and 2016

	Management and general		Supporting services		Total	Total program and supporting services	
	2017	2016	2017	2016		2017	2016
Salaries	\$ 373,133	\$ 417,206	\$ 102,422	\$ 107,179	\$ 475,555	\$ 524,385	\$ 2,350,427
Fringe benefits	537,751	510,461	37,027	35,662	574,778	546,123	1,282,387
Total salaries and related expenses	910,884	927,667	139,449	142,841	1,050,333	1,070,508	3,632,814
Professional fees	22,107	24,835			22,107	24,835	29,546
Equipment	9,601	10,623			9,601	10,623	121,930
Books, film, etc.							186,305
Periodicals							123,926
Rent and utilities	57,191	48,242	10,284	8,382	67,475	56,624	336,186
Repairs and maintenance	8,891	9,573	2,388		11,279	9,573	438,219
Supplies	7,311	8,649	290		7,601	8,649	24,083
Telephone and internet	2,979	3,035	1,642	2,712	4,621	5,747	322,683
Printing and postage	8,022	22,164		1,771	8,022	23,935	50,773
Database							455,038
Professional development	3,156	4,858			3,156	4,858	67,647
Travel	5,438	7,390	1,617	3,054	7,055	10,444	25,375
Memberships	11,254	10,449	295	295	11,549	10,744	12,762
Contractual services	4,653	30,299	295		4,653	30,299	202,462
Delivery service	525	19,465			525	19,465	405,213
Insurance	10,828	10,693			10,828	10,693	21,388
Miscellaneous	430	4,936			430	4,936	6,063
Depreciation	13,997	15,291			13,997	15,291	199,963
Total operating expenses	\$ 1,077,267	\$ 1,158,169	\$ 155,965	\$ 159,055	\$ 1,233,232	\$ 1,317,224	\$ 6,662,376
							\$ 6,486,955

The accompanying notes are an integral part of these financial statements.

## WESTCHESTER LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

#### 1. Summary of significant accounting policies

This summary of significant accounting policies of Westchester Library System (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America as promulgated in *FASB Accounting Standards Codification* (the Codification), and have been consistently applied in the preparation of the financial statements.

#### Nature of the Organization

The Westchester Library System coordinates the efforts of a cooperative of the 38 public libraries serving Westchester County. Its purpose is to provide cost-effective centralized services that reflect economies of scale or specialized expertise which the individual member library cannot afford. The Organization encourages the coordination and sharing of resources among members, provides and supports the technological infrastructure used by member libraries, offers staff development and training for Organization and member library staff and provides advocacy at the local, county, state, and national levels to improve awareness of funding for libraries.

#### Financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. The Board has resolved that certain unrestricted funds be held as "Board Designated" that may only be expended at the Board's discretion.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted assets as of December 31, 2017 or 2016.

#### Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

1. Summary of significant accounting policies (continued)

Cash

Cash consists of demand deposit accounts.

Computer inventory

Inventories consist of personal computers and other types of computer equipment that are purchased by the Organization for its members. The items are sold to the members at the Organization's cost. The items are carried at cost, determined on a first-in, first-out basis.

Prepaid expenses

Funds disbursed for expenses that will be incurred in future periods are recorded as prepaid expenses.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line method at rates based on the following estimated useful lives:

Furniture and equipment	3 - 10 years
Leasehold improvements	10 years

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income except for assets traded where no cash is received. Expenditures for maintenance and repairs are charged to expenses as incurred; replacements and betterments in excess of \$5,000 that extend the useful lives are capitalized.

Intangible assets

Intangible assets consist of a mobile library application with an estimated useful life of five years. Amortization will be computed using the straight-line method. The mobile application was put in service in January 2018. There was no amortization expense as of the year ended December 31, 2017. Estimated amortization expense for each of the next five years ended December 31 is as follows: 2018 - \$2,000; 2019 - \$2,000; 2020 - \$2,000; 2021 - \$2,000; and 2022 - \$2,000.

Income taxes

The Organization is a not-for-profit corporation that has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state income tax. As such, no provision for federal or state income taxes has been made in these financial statements.

Uncertain tax positions

As of December 31, 2017, management believes that, based on evaluation of the Organization's tax positions, any liability as a result of uncertain tax positions would not be material. Management continually evaluates expiring statutes of limitations, changes in tax law, and new authoritative rulings to assist in evaluating the Organization's tax positions. Accrued interest and penalties associated with uncertain tax positions, if any, would be recognized as part of the income tax provision. Income tax returns are filed in the U.S. federal jurisdiction and state jurisdictions. U.S. federal and state income tax returns prior to fiscal year 2014 are closed.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

1. Summary of significant accounting policies (continued)

Functional allocation of expenses

The costs of providing various programs and support services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services based on management's best estimates.

Allowance for doubtful receivables

The Organization determines whether an allowance for uncollectible receivables should be provided, based on management's assessments of the age of the Organization's receivables, current economic conditions and historical experience. As of December 31, 2017 and 2016, the Organization determined that an allowance was not necessary.

Deferred revenue

Funds received that have not been earned as of the year end dates are reflected as deferred revenue.

Contributions

Contributions, including unconditional pledges, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the conditions on which they depend are substantially met. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

2. Risks and uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, accounts and other receivables and grants receivable. The Organization maintains its cash in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. In order to limit their exposure, the Organization and the bank have entered into a collateral and control agreement. Under that agreement, the bank has agreed to secure funds not insured by the Federal Deposit Insurance Corporation by pledging securities as defined in New York State statutes. Concentrations of credit risk with respect to accounts and other receivables are limited due to the number of libraries comprising the Organization's member base and the generally short payment terms. Credit risk with respect to grants receivable are limited due to the fact that grants are received from governmental organizations.

3. Significant source of support

During the years ended December 31, 2017 and 2016, the Organization received approximately 38% and 37%, respectively, of its total support and revenues from grants from the State of New York and approximately 16% and 15%, respectively, from Westchester County Grants.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

4. Cash

The Organization's cash accounts are comprised of the following:

	December 31,	
	2017	2016
Interest bearing accounts	\$ 3,794,503	\$ 3,691,361
Non-interest bearing accounts	200	200
	\$ 3,794,703	\$ 3,691,561

5. Grants receivable

Grants receivable are all due within a year of the respective balance sheet date and consist of the following:

	December 31,	
	2017	2016
Institute of Museum and Library Services	\$ 250,000	\$ 30,522
Westchester County		250,000
	\$ 250,000	\$ 280,522

6. Property and equipment

Property and equipment consists of the following:

	December 31,	
	2017	2016
Furniture and equipment	\$ 1,569,267	\$ 1,314,020
Leasehold improvements	99,857	99,857
	1,669,124	1,413,877
Less accumulated depreciation	732,292	532,329
	\$ 936,832	\$ 881,548

Depreciation expense for the year ended December 31, 2017 and 2016 was \$199,963 and \$115,311, respectively.

7. Deferred rent

During the year 2016, the Organization moved to a new facility and entered into an operating lease that has escalations throughout the term of the lease. The Organization received twelve months of free rent in year one. The Organization records rent expense on a straight-line basis and the difference between rent expense and the lower rental amounts actually paid to the landlord is reported as deferred rent in the accompanying statement of financial position. As of December 31, 2017 and 2016, deferred rent amounted to \$293,556 and \$146,026, respectively.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

8. Post-retirement benefits

The Organization provides post-retirement benefits to eligible past and present employees. Eligibility includes those who have retired or will retire at age 55 or thereafter, and who have been employed by the Organization for at least ten years of service prior to retirement. Effective December 15, 2007, the employer subsidy has been capped and frozen at the 2008 annual premiums.

The accumulated post-retirement benefit obligation is calculated using discount rates of 3.47% and 3.92% for the years ended December 31, 2017 and 2016, respectively.

The following table presents the changes in the accumulated benefit obligation.

	December 31,	
	2017	2016
Changes in accumulated post-retirement benefit obligation:		
Accumulated post-retirement benefit obligation at January 1	\$ 4,023,673	\$ 4,116,348
Service cost	82,085	74,071
Interest cost	161,162	162,353
Plan participant contributions	57,784	17,870
Medicare Part D subsidy received		
Actuarial (gain) loss	329,840	(94,247)
Benefits paid	(273,636)	(252,722)
Accumulated post-retirement benefit obligation, December 31	<u>\$ 4,380,908</u>	<u>\$ 4,023,673</u>
Change in plan assets:		
Fair value of plan assets, January 1	\$	\$
Employer contributions	177,110	217,293
Employee contributions	57,784	17,870
Medicare Part B reimbursement paid to retirees	38,742	17,559
Medicare Part D subsidy received		
Benefits paid	(273,636)	(252,722)
Fair value of plan assets, December 31	<u>\$</u>	<u>\$</u>
Funded status:		
Unfunded benefit obligation	<u>\$ 4,380,908</u>	<u>\$ 4,023,673</u>
Components of net periodic benefit cost:		
Service cost	\$ 82,085	\$ 74,071
Interest cost	161,162	162,353
Amortization of transition obligation		
Amortization of prior service cost		
Amortization of actuarial loss	145,842	136,841
	<u>\$ 389,089</u>	<u>\$ 373,265</u>

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

8. Post-retirement benefits (continued)

The following are the actuarial assumptions and effects:

	December 31,	
	2017	2016
Medical trend rate next year	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year ultimate trend rate is achieved	2009	2009
Discount rate used to value end of year accumulated post-retirement benefit obligations	3.47%	3.92%
Discount rate used to value end of year net periodic post-retirement benefit costs	3.92%	4.09%
Effect of a 1% increase in healthcare cost trend rate on:		
a. Interest cost plus service cost	\$ 26,269	\$ 21,947
b. Accumulated post-retirement benefits	361,509	276,568
Effect of a 1% decrease in health:		
a. Interest cost plus service cost	(19,801)	(16,569)
b. Accumulated post-retirements benefits	(282,222)	(217,788)

The Organization's estimate of future benefit payments, net of employee contributions, are as follows:

Year ending December 31:	
2018	\$ 218,793
2019	211,949
2020	208,978
2021	206,316
2022	213,065
2023 - 2027	1,139,568

9. Commitments and contingencies

Office lease

The Organization moved to a new facility in July 2016. The Organization leases its office facilities under an operating lease expiring on June 30, 2027. The lease provides for minimum annual rental payments as follows:

Year ending December 31:	
2018	\$ 292,626
2019	299,784
2020	306,942
2021	314,100
2022	321,258
Thereafter	<u>1,533,347</u>
	<u>\$ 3,068,057</u>

The Organization's rent expense, including escalation charges, for the years ended December 31, 2017 and 2016 was \$335,626 and \$299,011, respectively.



WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

9. Commitments and contingencies (continued)

Copier lease

In June 2016, the Organization entered into a four year lease expiring May 31, 2021. The monthly lease payments for the equipment are \$760. Minimum lease payments for the subsequent years are as follows:

Year ending December 31:	
2018	\$ 9,120
2019	9,120
2020	9,120
2021	<u>3,800</u>
	<u>\$ 31,160</u>

10. Government grants and contracts

The Organization operates under various contracts with government agencies which generally cover a one-year period, subject to annual renewals. The terms of these contracts allow the grantors the right to audit the costs incurred thereunder and adjust contract funding based upon the amount of program income received. Any costs disallowed by the grantor would be absorbed by the Organization and any adjustments by grantors would be recorded when amounts are known, however, it is the opinion of management that disallowances, if any, would be immaterial and adjustments, if any, would not have a material adverse effect on the financial position of the Organization.

11. Letter of credit and line of credit

During the years ended December 31, 2017 and 2016, the Organization had an Irrevocable Stand-by Letter of Credit with a financing institution in the amount of \$4,000,000 and \$4,250,000. The Irrevocable Stand-by Letter of Credit expires on June 07, 2018. The full amount is available in one withdrawal only. There were no borrowings during the years and no amounts were outstanding at both December 31, 2017 and 2016.

The Organization has a \$500,000 revolving Line of Credit agreement with a financing institution with a maturity date of August 28, 2018. The interest rate on the line is 5%. There were no borrowings during the years and no amounts were outstanding at both December 31, 2017 and 2016.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

12. Temporarily restricted net assets and net assets released from restrictions

Temporarily restricted net assets for use in future and for specific programs are available for the following purposes:

	December 31,	
	2017	2016
State Correction Aid	\$ 34,121	\$ 38,533
Coordinated Outreach Services Program	5,412	14,371
County Correctional Facilities Library Aid	32,577	29,554
Gates Staying Connected Training Program	5,094	5,094
Bruni Verges Memorial Fund	4,231	4,231
People and Stories	2,096	2,096
Battle of the Books	1,884	1,491
MiniGrants	43,001	21,568
TASC Connect	5,000	5,000
Marketing and Professional Development	13,000	
Early Literacy	10,000	
Adult Literacy	7,515	
Family Literacy	10,146	
BTOP	611	
Patron Stories		10,852
Community Dialogue on Criminal Justice Issues		40,000
Creative aging programs		23,350
	<u>\$ 174,688</u>	<u>\$ 196,140</u>

Temporarily restricted net assets were released from donor restrictions as follows by incurring expense satisfying the restricted purpose or by passage of time. The net assets released from restriction were as follows:

	December 31,	
	2017	2016
Coordinated Outreach Services Program	\$ 165,030	\$ 167,058
State Correction Aid	35,513	27,325
BTOP	33,395	32,720
LIU Certificate	40,450	40,984
Westchester Senior Out Speaking	17,460	17,460
Learning Ambassadors	12,300	7,414
Family Literacy	14,749	12,558
Adult Literacy	8,488	8,073
County Corrections Aid	7,172	7,656
Creative aging programs	23,350	1,650
Battle of the Books	2,607	1,509
MiniGrants	5,567	23,932
TASC Connect	10,000	10,000
Patron Stories	8,522	14,148
Community Dialogue on Criminal Justice Issues	40,000	
IMLS Creative Aging		166,414
Maurice J. Freedman Scholarship Fund		6,283
	<u>\$ 424,603</u>	<u>\$ 545,184</u>

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

13. Board-designated

The fund consists of board-designated special purpose funds. The funds are restricted by the Board of Trustees to cover shortfalls in cash flows and may be used for new initiatives and services as determined by the Board of Trustees.

The Board of Trustees is responsible for the long-term investment policies for board-designated funds. Appropriations of such funds require Board approval.

Changes in board-designated net assets were as follows for the year ended December 31:

	2017 Unrestricted	2016 Unrestricted
Board-designated funds, beginning of year	\$ 487,853	\$ 487,361
Interest income	4,133	492
Board-designated funds, end of year	\$ 491,986	\$ 487,853

The Organization has adopted investment and spending policies for board-restricted net assets that attempt a predictable stream of funding to protect the purchasing power of the fund. Under this policy, as approved by the Board of Trustees, the board-restricted net assets are invested in a manner that is intended to preserve the funds in a risk adverse environment. The Board authorizes the use of these funds to assist the Organization in managing cash flow during the course of the year.

14. Pass-through grants

The Organization is a party to certain agency transactions whereby grants are passed through the Organization to their intended beneficiaries. Pass-through grants were as follows:

	December 31,	
	2017	2016
Central Library Aid	\$ 66,927	\$ 66,209
Local Library Services Aid	279,694	279,542
Westchester Community College	96,220	2,943
Grants in Aid	37,500	179,699
Member Library	208	24,636
	\$ 480,549	\$ 553,029

15. Subsequent events

Subsequent events have been evaluated through April XX, 2018, which is the date the financial statements were available to be issued.



*REPORT TO THOSE  
CHARGED WITH GOVERNANCE  
FOR THE YEAR ENDED DECEMBER 31, 2017*

To The Board of Trustees  
Westchester Library Systems  
Tarrytown, New York

We have audited the financial statements of Westchester Library Systems for the year ended December 31, 2017, and have issued our report thereon dated April XX, 2018. Professional standards require that we provide you with certain information related to our audit.

This report summarizes our audit, the scope of our engagement, communications required by our professional standards, communications about internal control related matters identified in our audit, and our observations relating to certain business issues being faced by the Organization. We received the full support and assistance of the Organization's personnel. This report is intended solely for the use of the Board of Trustees and management of Westchester Library System, and is not intended to be, and should not be, used by anyone other than these specified parties.

We will be pleased to discuss this report and the suggestions contained in it with you in further detail and to assist you with their implementation. We appreciate this opportunity to be of continued service to you and would like to thank the entire staff of the Organization for the courtesies extended to us during the audit.

Saddle Brook, New Jersey

April XX, 2018

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## **SUMMARY OF WHAT WE AGREED TO DO**

### **Our Approach**

As discussed with management, our audit plan represented an approach responsive to the assessment of risk for the Organization. Specifically, we designed our audit to:

- Issue an opinion on the financial statements of the Organization
- Issue this Audit Results Summary to management and those charged with governance

### **Areas of Audit Emphasis**

- Management override of controls
- Revenue recognition and classification
- Classification, allocation and appropriation of net assets
- Post-retirement benefit accounting
- Cut off of revenues and expenses
- Receivables
- Inventory
- Prepaid expenses
- Property and equipment
- Functional allocation of expenses
- Completeness and clarity of financial statement disclosures

There were no significant changes to our planned approach of areas of audit emphasis.

## REQUIRED COMMUNICATIONS

Auditing Standards AU-C Section 260 and other professional standards require the auditor to provide those charged with governance with information pertaining to the planned scope and timing of the audit, representations from management, and significant audit findings that may assist those responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including the entity's financial reporting process. These required communications are summarized below.

<u>Area</u>	<u>Comments</u>
<p><b>1. Auditors' Responsibilities under U.S. Generally Accepted Auditing Standards</b></p> <p>As stated in our engagement letter dated January 15, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your respective responsibilities.</p> <p>Our responsibilities, as prescribed by professional standards, are to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Organization solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p> <p>We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.</p>	<p>Management will acknowledge its responsibility for the Organization's financial statements by signing the letter of representations addressed to Dorfman Abrams Music, LLC.</p> <p>We will issue an unmodified opinion on the Organization's financial statements as of December 31, 2017 and for the year then ended. Our audit opinion will be dated April XX, 2018.</p>
<p><b>2. Planned Scope and Timing of the Audit</b></p>	<p>We performed the audit according to the planned scope and timing previously communicated to you.</p>



<b>REQUIRED COMMUNICATIONS (continued)</b>
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<u>Area</u>	<u>Comments</u>
<p><b>3. Qualitative Aspects of the Organization's Significant Accounting Practices – Significant Accounting Policies</b></p> <p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Westchester Library System are described in Note 1 to the financial statements.</p>	<p><b>New Accounting Policies</b> There were no new accounting policies affecting the December 31, 2017 financial statements.</p> <p><b>Lack of Authoritative Guidance</b> We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus.</p> <p><b>Period of Recognition</b> There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.</p> <p><b>Significant Unusual</b> There are no significant unusual or nonrecurring accounting transactions.</p>
<p><b>4. Qualitative Aspects of the Organization's Significant Accounting Practices – Significant Accounting Estimates</b></p> <p>Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.</p>	<p>The most significant estimates affecting the financial statements are:</p> <ul style="list-style-type: none"><li>• Actuarial assumptions which determine the gain recognized for post-retirement benefits</li><li>• Depreciation expense</li><li>• Functional expenses</li></ul>
<p><b>5. Qualitative Aspects of the Organization's Significant Accounting Practices – Financial Statement Disclosures</b></p> <p>Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to the financial statement users.</p>	<p>The disclosures in the financial statements are neutral, consistent, and clear.</p>

<b>REQUIRED COMMUNICATIONS (continued)</b>
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<u>Area</u>	<u>Comments</u>
<b>6. Significant Difficulties Encountered During the Audit</b>	We encountered no significant difficulties in performing and completing our audit.
<b>7. Uncorrected and Corrected Misstatements</b>  For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.  In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.	Management has corrected all identified misstatements.  The attached schedule summarizes misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by management.
<b>8. Fraud and Illegal Acts</b>  We are to report to the Board of Trustees fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.	There was no fraud or illegal acts noted during our audit.
<b>9. Other Information in Documents Containing Audited Financial Statements</b>  Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Organization's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such information.  Our responsibility also includes communicating to you any information, which we believe is a material misstatement of fact.	To our knowledge, the Organization's audited financial statements will not be included in any document issued by the Organization.

<b>REQUIRED COMMUNICATIONS (continued)</b>
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<u>Area</u>	<u>Comments</u>
<b>10. Disagreements with Management</b>  For purposes of this letter, professional standards define a disagreement with management as a financial, accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report.	No such disagreements arose during the course of our audit.
<b>11. Management Representations</b>	We have requested certain representations from management that are included in the management representation letter dated April XX, 2018.
<b>12. Management's Consultation with Other Accountants</b>  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 the application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' 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.	Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.
<b>13. Other Significant Findings or Issues</b>  In the normal course of our professional association with Westchester Library System, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Organization and business plans and strategies that may affect the risks of material misstatement.	None of the matters discussed resulted in a condition to our retention as the Organization's auditors.
<b>14. Communication of Internal Control Related Matters Identified in an Audit</b>  We are required to communicate in writing to management and those charged with governance control deficiencies identified during an audit that upon evaluation are considered significant deficiencies or material weaknesses.	See <b>Communication of Internal Control Related Matters</b> section.

<b>REQUIRED COMMUNICATIONS (continued)</b>
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**Area**

**Comments**

**15. Independence**

Generally accepted auditing standards require independence for all audits. The auditor should communicate to those charged with governance circumstances or relationships (for example, financial interests, business or family relationships, or non-audit services provided or expected to be provided) that in the auditor's professional judgment may reasonably be thought to bear on independence and that the auditor gave significant consideration to in reaching the conclusion that independence had not been impaired.

We are not aware of any relationships between Dorfman Abrams Music, LLC and Westchester Library System that, in our professional judgment, may reasonably be thought to bear on our independence.

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## COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS

In planning and performing our audit of the financial statements of Westchester Library System as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Westchester Library System's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During the course of our audit, we noted other items, which, while not constituting significant deficiencies and/or material weaknesses, nonetheless represent areas, which, in our opinion, could be improved upon. A comprehensive description of each item, along with our recommendations for remediation, follows in the **Other Recommendations** section of this report.

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

## **OTHER RECOMMENDATIONS**

### **Cash**

To the extent possible, the Organization should make all reasonable efforts to manage the balances of cash in banks so that the deposits in any one bank do not exceed the federally insured limits of \$250,000. In addition, the Organization should continue to regularly monitor the financial condition of the institutions in which it maintains its bank accounts.

### **Post-Closing Journal Entries**

Upon performance of our preliminary analytics and discussions with management, it became apparent that the initial trial balance provided did not reflect several closing adjustments. Management made initial corrections and provided additional journal entries and supporting schedules as the audit progressed. In preparation for the annual audit, the accounting office should review the trial balance and all supporting schedules and information in advance to ensure that the information provided is complete and accurate. Management may also want to consider delaying the annual audit to allow sufficient time for these additional entries to be made before the audit begins.

### **Classification of Net Assets**

During our testing of cash receipts and our review of net assets, we noted that the Organization is not reporting to the Board on restricted contributions received and net asset releases on a regular basis. We recommend the Organization maintain diligence in its record keeping with regard to restricted contributions and net asset releases reconciling all revenue restricted accounts to the restricted net assets schedule regularly.

### **Policies and procedures update**

The Organization is required to regularly update its policies and procedures. Although the Board's governance committee reviews policies annually, those policies should be annotated to reflect the most recent date of review each year. In addition, the Employee Handbook was last updated in June 2014. We recommend that the Organization determine a regular schedule for reviewing and updating of the Employee Handbook.

<b>CORRECTED MISSTATEMENTS</b>
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Account	Description	Debit	Credit
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**ADJUSTING ENTRIES:**

**Adjusting Journal Entries JE # 1**

To capitalize Mobile app costs

1360	Mobile App	10,000.00	
9000	Contractual Services		10,000.00
<b>Total</b>		<b>10,000.00</b>	<b>10,000.00</b>

**Adjusting Journal Entries JE # 2**

To reclassify restricted contribution - Learning Ambassadors to proper account and adjust LIU program and WSPS/WSOS to correct amounts as of 12/31/17

4200	Contributions	12,300.00	
4860	LIU Library & Information Certificate Program	625.00	
4200	Contributions		265.00
4605	Westchester County - SBIC		360.00
4880	Restricted contributions		12,300.00
<b>Total</b>		<b>12,925.00</b>	<b>12,925.00</b>

**Adjusting Journal Entries JE # 3**

To reclassify fixed assets to prepaid expense

1300	Prepaid Expenses	15,210.00	
7365	Software Maintenance and Support	895.00	
1515	Furniture and Equipment		16,105.00
<b>Total</b>		<b>16,105.00</b>	<b>16,105.00</b>

**RECLASSIFICATION ENTRIES:**

**Reclassification Entries JE # 1**

To reclassify May to December 2017 electricity charges to proper account as of 12/31/17

7001	Rent	26,814.00	
7000	Buildings and Maintenance		26,814.00
<b>Total</b>		<b>26,814.00</b>	<b>26,814.00</b>

**MANAGEMENT REPRESENTATION LETTER**

**MANAGEMENT REPRESENTATION LETTER (continued)**

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