

WESTCHESTER LIBRARY SYSTEM
Trustee Meeting
April 29, 2014 – Approved May 27, 2014

REGULAR MEETING

The Regular Meeting of the Westchester Library System Board of Trustees was held on April 29, 2014, at the System Headquarters, 540 White Plains Road, Tarrytown, New York. The meeting was called to order by President Hansen at 6:02 p.m. The quorum requirement was met with the following people in attendance:

Board Members present: Mary Amato, Dave Donelson, Catherine Draper, Patricia Fontanella, Hope Furth, Amanda Goodman, LaRuth Gray, Chris Hansen, Barbara Hickernell, Norman Jacknis, Sue Neale, Edris Scherer

Board Members absent: Deborah Fay, Naseem Jamali, Luke Vander Linden

Also present from WLS were: Terry Kirchner, Patricia Braja, Rob Caluori

Public Library Directors Association (PLDA) Representative: Laura Eckley, Director, Larchmont Public Library

COMMITTEE REPORT

Audit Committee: Barbara Hickernell, Chair of the WLS Audit Committee, introduced Michael McHale, CPA, Partner, Dorfman Abrams Music, who came to share the findings of the WLS audit for FY2013 with the entire board. Mr. McHale reviewed the audited financial statements in detail as well as the Report to Governance. The audit had an unqualified opinion which is the highest ranking one can get; and he congratulated the management team, especially Francine Feuerman, Chief Financial Officer.

The Reports (see attached) were accepted with one correction requested to change the word “Endowment” under Part 12 to “Board Restricted Fund” on Page 15 of the Financial Statements on a motion by Mr. Donelson and seconded by Ms. Furth. The motion passed unanimously.

WEBINAR

BoardDocs: A webinar was held to demonstrate the software known as BoardDocs, a cloud-based, board document management system, that provides a means of immediately publishing and revising agenda items and supporting documents via the Internet through most Internet-connected devices—eliminating printed documentation while maintaining a searchable legal repository for all documents.

Questions and discussion followed the demonstration which covered reviewing current procedures, the possibility of doing something similar via in-house methods, and compliance with NYS Sunshine Laws.

The Board requested a report on the requirements of the NYS Sunshine Laws for the May WLS Executive Committee Meeting and implementation of paperless procedures via in-house methods for the board meeting materials starting with the May Board Meeting.

New generic email addresses for the WLS trustees have been set up through WLS gmail accounts; and information on how to access and initiate the accounts was distributed at the meeting. The new email addresses will be used concurrently with the trustees' personal email addresses for a few months to give the trustees time to activate their accounts.

MINUTES

The minutes of the meeting of March 25, 2014, were accepted as submitted by consensus.

FINANCIAL REPORTS

The financial report through March 2014 was presented by Ms. Scherer and was accepted as submitted by consensus.

PRESIDENT'S REPORT

Mr. Hansen is looking forward to continuing the Metrics Working Group presentations next month.

COMMITTEE REPORTS

Governance Committee: Dr. Jacknis, Chair, noted that the Committee is continuing their work on revising the WLS Policies. Dr. Jacknis is awaiting responses to one last revision, and he requested that all Committee members get back to him as soon as possible.

Development Committee: Mr. Donelson, Chair, reported on the last meeting held on April 24th. Ms. Braja reported on the recently held WLS events including James McBride, Bruce Nussbaum and the Business Council of Westchester, and the Book & Author Luncheon. The Committee requested a development plan for subsequent events that will be reviewed at the next meeting.

PLDA-WLS ILS Committee Meeting: Mr. Caluori gave an update regarding the status of the Request for Proposal (RFP) for the Integrated Library System (ILS). Replies to the RFP were due as of April 25th; and a total of 7 companies responded by the deadline. To help with evaluating/ranking the proposals, the ILS Committee created a scoring matrix for each question in the RFP. A question & answer period is currently open, and information gathered will be posted to the WLS website for the Committee's review prior to the next Committee meeting which is scheduled for May 5th at 10 am at the WLS Headquarters.

EXECUTIVE DIRECTOR'S REPORT

A copy of the Executive Director's Report was mailed in advance of the meeting.

Dr. Kirchner noted that the NYS Construction Grant applications for the program cycle 2013-2016 have not yet been finalized and are still currently under review by the Dormitory Authority (DASNY). At this point, awards are expected some time in late May/early June and will be initially announced by the NYS Legislators prior to official notification from NYS Library Division of Library Development (DLD). In addition, DLD notified WLS that our 2013 System Annual Report has been approved.

The Purchase Free Library has been notified that their landlord does not want to renew their lease. The Purchase Library Board has been addressing this issue and exploring their options. An online petition was started to keep the library at their current location; and Dr. Kirchner reviewed the WLS Free Direct Access Plan which describes what services are available if the library should close.

The Mount Vernon Public Library is scheduled to bring their budget and election of trustees to a public vote on May 6th.

WLS received notice from NYS Department of Education that the Maintenance of Effort Variance for the Central Library for calendar years 2011 and 2012 has been denied. This denial will affect the Central Library Development Aid and Central Book Aid for fiscal years 2013 and 2014, decreasing the amount of funding by 25% for each year. Dr. Kirchner inquired regarding an appeal process with no answer. Since future actions will be affected by the outcome of Mount Vernon Public Library's upcoming vote, it was decided to wait for the vote before responding to the appropriate parties.

PLDA REPRESENTATIVE

Ms. Eckley reported on the April PLDA Meeting. Committee reports were given. The Cataloging Committee recommended several revisions for WLS cataloging procedures to help standardize records, which were approved. The ILS Committee will be evaluating the replies to the RFP during May and June and will bring their recommendation to the WLS Board after receiving approval from the PLDA membership. The IT Committee is planning to survey the member libraries on important priorities for WLS; and the Finance Committee is looking at the debit/credit issue for the IT Finance Model for the 2015 budget.

OTHER

Dr. Jacknis noted that the Institute of Museum and Library Services (IMLS) held a public hearing, "Libraries and Broadband: Urgency and Impact," to establish a public record about the impact of high speed broadband connectivity in America's libraries. Video from the hearing is available on YouTube.

Ms. Fontanella reminded trustees that the Library Trustees Association (LTA) 2014 Trustee Institute will be held this weekend, May 2-3; and she is looking forward to the truly outstanding speakers and program planned. Presentations will not be videotaped, and Ms. Fontanella encouraged all to attend.

ADJOURNMENT

Having completed its agenda, the Board adjourned its meeting at 7:50 p.m. by consensus.

Respectfully submitted,

A handwritten signature in blue ink that reads "Mary Amato" with a stylized flourish at the end that includes the letters "eb".

Mary Amato
Secretary



***FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2013 AND 2012***

draft

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 15

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INDEPENDENT AUDITORS' REPORT

To The Board of Trustees
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, 2013 and 2012, 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Saddle Brook, New Jersey

April XX, 2014

WESTCHESTER LIBRARY SYSTEM
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2013	2012
Cash and cash equivalents	\$ 3,726,732	\$ 3,601,777
Grants receivable	443,698	460,772
Accounts and other receivables	56,305	39,842
Prepaid expenses	353,849	509,039
Computer inventory	68,562	92,879
Property and equipment, net	226,483	226,194
Security deposits	35,737	35,737
 Total assets	 \$ 4,911,366	 \$ 4,966,240

LIABILITIES AND NET ASSETS

Accounts payable	\$ 321,566	\$ 362,484
Deferred revenue	484,129	579,167
Capital lease obligation	13,160	18,535
Post retirement benefits payable	3,032,741	3,316,653
 Total liabilities	 3,851,596	 4,276,839
 Net assets		
Unrestricted:		
Operations	398,581	(1,899)
Board designated	486,897	486,657
	885,478	484,758
Temporarily restricted	174,292	204,643
 Total net assets	 1,059,770	 689,401
	\$ 4,911,366	\$ 4,966,240

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

WESTCHESTER LIBRARY SYSTEM
STATEMENTS OF ACTIVITIES

	Year ended December 31, 2013		Year ended December 31, 2012	
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted
Support:				
State grants	\$ 1,984,894	\$ 173,461	\$ 1,886,443	\$ 165,472
County grants	1,000,000		1,050,000	36,000
Federal grants		263,255		204,145
Contributions	54,675	108,800	8,760	87,368
Special events, net of direct expenses of \$25,738 and \$45,310 for 2013 and 2012, respectively	12,135		(920)	
Total support	3,051,704	545,516	2,944,283	492,985
Revenues:				
Member technology fees	2,595,052		2,520,927	2,520,927
Interest income	2,969		3,031	3,031
Gain on disposal of equipment			55,849	55,849
Other	15,851		51,391	51,391
Total revenues	2,613,872		2,631,198	2,631,198
Net assets released from restrictions	575,867	(575,867)	497,903	(497,903)
Total support and revenues	6,241,443	(30,351)	6,073,384	(4,918)
Expenses:				
Program services:				
Technology	2,310,549		2,320,589	2,320,589
Public service	2,668,894		2,285,992	2,285,992
Total program services	4,979,443		4,606,581	4,606,581
Supporting services:				
Management and general	895,626		806,157	806,157
Fundraising	173,793		161,261	161,261
Total supporting services	1,069,419		967,418	967,418
Total expenses	6,048,862		5,573,999	5,573,999
Change in net assets before changes in post retirement benefit obligation	192,581	(30,351)	499,385	(4,918)
Changes in post retirement benefit obligation other than periodic costs	208,139		(508,658)	(508,658)
Change in net assets	400,720	(30,351)	(9,273)	(4,918)
Net assets, beginning of year	484,758	204,643	494,031	209,561
Net assets, end of year	\$ 885,478	\$ 174,292	\$ 484,758	\$ 204,643

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

WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 370,369	\$ (14,191)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	77,725	231,109
Realized (gain) loss on disposal of equipment		(55,849)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	17,074	(165,984)
Accounts and other receivables	(16,463)	62,157
Prepaid expenses	155,190	(216,371)
Computer inventory	24,317	(3,572)
Increase (decrease) in:		
Accounts payable	(40,918)	117,055
Deferred revenue	(95,038)	(83,071)
Post retirement benefits payable	(283,912)	350,279
Net cash provided by operating activities	<u>208,344</u>	<u>221,562</u>
Cash flows from investing activities:		
Purchase of property and equipment	(78,014)	(175,009)
Sale of equipment		75,000
Net cash used in investing activities	<u>(78,014)</u>	<u>(100,009)</u>
Cash flows from financing activities:		
Payment of capital lease obligation	(5,375)	(4,845)
Net cash used in financing activities	<u>(5,375)</u>	<u>(4,845)</u>
Net increase in cash and cash equivalents	124,955	116,708
Cash and cash equivalents, beginning of year	<u>3,601,777</u>	<u>3,485,069</u>
Cash and cash equivalents, end of year	<u>\$ 3,726,732</u>	<u>\$ 3,601,777</u>

Supplemental Cash Flow Information

Cash paid during the year for:		
Interest	<u>\$ 1,681</u>	<u>\$ 2,211</u>

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

WESTCHESTER LIBRARY SYSTEM
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2013 and 2012

	Technology		Program services		Total
	2012		2012		
	2013	2012	2013	2012	
Salaries	\$ 760,297	\$ 710,119	\$ 855,600	\$ 851,577	\$ 1,615,897
Fringe benefits	303,106	253,134	316,479	307,056	619,585
Professional fees	76	126			76
Equipment	179,633	142,557	1,197	16,841	180,830
Books, film, etc.	125,638	157,474	275,194	42,528	400,832
Periodicals	299	299	16,610	8,221	16,909
Rent and utilities	95,025	82,795	132,075	131,330	227,100
Repairs and maintenance	370,828	366,332	89	1,500	370,917
Supplies	963	2,015	10,007	10,333	10,970
Telephone and internet	230,063	244,446	126	125	230,189
Printing and postage	9,108	386	16,859	23,584	25,967
Database	130,910	134,781	227,876	129,550	358,786
Conferences	12,183	2,285	79,369	13,495	91,552
Travel	6,135	5,121	8,161	5,658	14,296
Memberships	250	245	291	150	541
Contracts processing	14,892	23,851	360,078	318,500	374,970
Delivery service			364,033	405,237	364,033
Insurance	8,454				8,454
Miscellaneous	2,706	6,652	4,850	14,307	7,556
Depreciation	59,983	187,971			59,983
	<u>\$ 2,310,549</u>	<u>\$ 2,320,589</u>	<u>\$ 2,668,894</u>	<u>\$ 2,285,992</u>	<u>\$ 4,979,443</u>
					<u>\$ 4,606,581</u>

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

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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, 2013 or 2012.

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, 2013 and 2012

1. Summary of significant accounting policies (continued)

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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 principally on the straight-line method at rates based on the following estimated useful lives:

Furniture and equipment	3 - 7 years
Leasehold improvements	10 years

Expenditures for maintenance and repairs are charged to expense as incurred; replacements and betterments that extend the useful lives are capitalized.

Income taxes

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

Uncertain tax positions

As of December 31, 2013, management believes that based on evaluation of the Organization's tax positions that 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 2010 are closed.

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.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

1. Summary of significant accounting policies (continued)

Allowance for doubtful receivables

The Organization determines whether an allowance for uncollectible receivables should be provided. Such estimates are based on management's assessments of the aged basis of the Organization's receivables, current economic conditions and historical experience. As of December 31, 2013 and 2012, 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.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 presentation.

2. Risks and uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, accounts 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 1) accounts receivable are limited due to the number of libraries comprising the Organization's member base and the generally short payment terms and 2) grants receivable are limited due to the fact that grants are received from governmental organizations.

3. Significant source of support

During 2013 and 2012, the Organization received approximately 35% and 34%, respectively, of its total support and revenues from grants from the State of New York and approximately 16% and 18%, respectively, from Westchester County Grants.

4. Cash

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

	December 31,	
	2012	2012
Interest bearing accounts	\$ 3,726,532	\$ 3,601,506
Non-interest bearing accounts	200	271
	\$ 3,726,732	\$ 3,601,777

WESTCHESTER LIBRARY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013 and 2012

5. Grants receivable

Grants receivable consist of the following:

	December 31,	
	2013	2012
Westchester County	\$ 50,000	\$ 52,500
New York State	393,698	408,272
	\$ 443,698	\$ 460,772

6. Property and equipment

Property and equipment consists of the following:

	December 31,	
	2013	2012
Furniture and equipment	\$ 2,741,538	\$ 2,663,524
Leasehold improvements	143,984	143,984
	2,885,522	2,807,508
Less accumulated depreciation	2,659,039	2,581,314
	\$ 226,483	\$ 226,194

Depreciation expense for December 31, 2013 and 2012 is \$77,725 and \$231,109, respectively.

7. Capital lease obligation

The Organization acquired a photocopier under a lease agreement which meets the definition of a capital lease. The photocopier is included in furniture and equipment at a cost of \$27,400 less accumulated depreciation of \$15,995.

Future minimum lease payments under the agreement are as follows:

Year ending December 31:	
2014	\$ 7,056
2015	7,056
2016	588
	14,700
Less interest included above	1,540
	\$ 13,160

WESTCHESTER LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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.

As of December 31, 2013 and 2012, the accumulated post-retirement benefit obligation is calculated using discount rates of 4.63% and 3.76% for the years ended December 31, 2013 and 2012, respectively. The following table presents the changes in the accumulated benefit obligation.

	December 31,	
	2013	2012
Changes in accumulated post retirement benefit obligation:		
Accumulated post-retirement benefit obligation at January 1	\$ 3,316,653	\$ 2,966,374
Service cost	71,493	55,594
Interest cost	126,615	119,312
Plan participant contributions	25,577	35,136
Medicare Part D subsidy received	6,464	18,220
Actuarial loss (gain)	(264,604)	412,302
Benefits paid	(249,457)	(290,285)
	<u>\$ 3,032,741</u>	<u>\$ 3,316,653</u>
Change in plan assets:		
Fair value of plan assets, January 1	\$ 186,416	\$ 212,114
Employer contributions	25,577	35,136
Employee contributions	31,000	24,815
Medicare Part B subsidy received	6,464	18,220
Medicare Part D subsidy received	(249,457)	(290,285)
Benefits paid	<u>(249,457)</u>	<u>(290,285)</u>
Fair value of plan assets, December 31	<u>\$</u>	<u>\$</u>
Funded status:		
Unfunded benefit obligation	<u>\$ 3,032,741</u>	<u>\$ 3,316,653</u>
Components of net periodic benefit cost:		
Service cost	\$ 71,493	\$ 55,594
Interest cost	126,615	119,312
Amortization of transition obligation	41,326	41,326
Amortization of prior service cost	(199,573)	(199,573)
Amortization of actuarial loss	101,782	61,891
	<u>\$ 141,643</u>	<u>\$ 78,550</u>

WESTCHESTER LIBRARY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013 and 2012

8. Post retirement benefits (continued)

The following are the actuarial assumptions and effects:

	December 31,	
	2013	2012
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	4.63%	3.76%
Discount rate used to value end of year net periodic post retirement benefit costs	3.76%	4.20%
Effect of a 1% increase in healthcare cost trend rate on:		
a. Interest cost plus service cost	\$ 17,405	\$ 14,213
b. Accumulated post retirement benefits	163,021	190,859
Effect of a 1% decrease in health:		
a. Interest cost plus service cost	(12,985)	(10,656)
b. Accumulated post retirements benefits	(126,995)	(146,321)

The Organization is expecting to make a \$54,238 future contribution into the benefit plan during the year ending December 31, 2014. The Organization estimates future benefit payments net of employee contributions are as follows:

Year ending December 31:	
2014	\$ 54,238
2015	53,290
2016	52,563
2017	63,107
2018	65,273
2019 - 2023	640,718

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

9. Commitments and contingencies

Leases

The Organization leases its office facilities under an operating lease. The lease provides for minimum annual rentals as follows:

Year ending December 31:	
2014	\$ 239,647
2015	239,647
2016	<u>119,823</u>
	<u>\$ 599,117</u>

Rent expense, including escalation charges, for 2013 and 2012 was \$292,882 and \$259,211, respectively.

Government support

Government supported projects are subject to audit by the granting agency.

10. Line of credit

The Organization has a \$4,200,000 irrevocable stand-by letter of credit with a financing institution which expires on March 25, 2015. The full amount is available in one withdrawal only. There were no borrowings during the years and no amounts were outstanding at December 31, 2013 and 2012, respectively.

The Organization has a \$500,000 revolving line of credit agreement with a financing institution due on demand. The interest rate on the line is 3.75%. There were no borrowings during the years and no amounts were outstanding at December 31, 2013 and 2012, respectively.

WESTCHESTER LIBRARY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013 and 2012

11. Temporarily restricted net assets

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

	December 31,	
	2013	2012
Coordinated Outreach Services Program	\$ 87,658	\$ 106,012
Adult Literacy		1,277
Maurice J. Freedman Scholarship Fund	6,283	6,283
Gates Staying Connected Training Program	5,094	5,094
Bruni Verges Memorial Fund	4,231	4,231
People and Stories	2,096	2,096
County Correctional Facilities Library Aid	23,250	17,405
State Correction Aid	40,397	34,806
LSTA GED Connect		10,570
TERC	3,335	4,032
BTOP		10,840
Fidelity/Business Event	1,948	
101 Answers		1,997
	<u>\$ 174,292</u>	<u>\$ 204,643</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	December 31,	
	2013	2012
Coordinated Outreach Services Program	\$ 156,182	\$ 140,724
State Correction Aid	21,911	14,519
County Corrections Aid	2,286	1,860
LSTA GED Connect	14,920	10,666
Adult Literacy	1,277	
TERC	698	
Summer Reading	12,000	12,000
WCC Learning Express		17,200
Health Advocacy		36,000
LIU Certificate	45,900	
BTOP	36,790	57,640
IMLS Creative Aging	258,906	191,094
Learning Ambassadors	23,000	16,200
101 Answers	1,997	
	<u>\$ 575,867</u>	<u>\$ 497,903</u>

WESTCHESTER LIBRARY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013 and 2012

12. Endowment

The endowment consists of board-designated special purpose funds. The funds are restricted by the Board to cover short falls in cash flows due to delayed payments either from New York State or Westchester County.

The Board of Trustees of Westchester Library System is responsible for the long-term investment policies for board-designated endowment funds. Appropriations of board-designated funds require full Board approval.

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

	2013 Unrestricted	2012 Unrestricted
Board-designated funds, beginning of year	\$ 486,657	\$ 486,380
Interest income	240	277
Board-designated funds, end of year	\$ 486,897	\$ 486,657

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 such as treasury bills or certificates of deposit. The Board authorizes the use of these funds to assist the Organization in managing cash flow during the course of the year.

13. Pass-through grants

The Organization is a party to certain agency transactions whereby grants are passed through the Organization to their intended beneficiaries. During 2013 and 2012, these pass-through grants were as follows:

	December 31,	
	2013	2012
Central Library Aid	\$ 59,265	\$ 56,864
Local Library Services Aid	250,596	238,880
Westchester Community College	287,660	230,230
Grants in Aid	166,311	70,000
	\$ 763,832	\$ 609,574

14. Subsequent events

Subsequent events have been evaluated through April XX, 2014, which is the date the financial statements were available to be issued.



*REPORT TO THOSE
CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED DECEMBER 31, 2013*

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, 2013, and have issued our report thereon dated April XX, 2014. 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, 2014

CONTENTS

DECEMBER 31, 2013 AUDIT RESULTS

Summary of What We Agreed To Do	1
Required Communications	2 - 6
Communication of Internal Control Related Matters	7
Management Representation Letter	8 - 9

d r a f t

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
- Completeness and clarity of financial statement disclosures
- Post-retirement benefits
- Cash
- Receivables
- Payables and accruals
- Net assets

d r a f t

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

REQUIRED COMMUNICATIONS

Statements on Auditing Standards No. 114 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>
1. Auditors' Responsibilities under U.S. Generally Accepted Auditing Standards	
<p>As stated in our engagement letter dated January XX, 2014, 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, 2013 and for the year then ended. Our audit opinion will be dated April XX, 2014.</p>
2. Planned Scope and Timing of the Audit	<p>We performed the audit according to the planned scope and timing previously communicated to you.</p>

REQUIRED COMMUNICATIONS (continued)

<u>Area</u>	<u>Comments</u>
3. Qualitative Aspects of the Organization's Significant Accounting Practices – Significant Accounting Policies	
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.	New Accounting Policies There were no new or changes to accounting policies that effected the Organization's December 31, 2013 financial statements. Lack of Authoritative Guidance We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. Period of Recognition There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred. Significant Unusual There are no significant unusual or nonrecurring accounting transactions.
4. Qualitative Aspects of the Organization's Significant Accounting Practices – Significant Accounting Estimates	
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.	The most significant estimates effecting the financial statements are the actuarial assumptions which determine the gain recognized for post-retirement benefits, depreciation expense, functional expenses and the allowance for doubtful accounts.
5. Qualitative Aspects of the Organization's Significant Accounting Practices – Financial Statement Disclosures	
Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to the financial statement users.	The disclosures in the financial statements are neutral, consistent, and clear.

REQUIRED COMMUNICATIONS (continued)

Area

Comments

6. Significant Difficulties Encountered During the Audit

7. Uncorrected and Corrected Misstatements

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.

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

We proposed no journal entries during the course of the audit.

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.

8. Fraud and Illegal Acts

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.

9. Other Information in Documents Containing Audited Financial Statements

None noted.

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.

REQUIRED COMMUNICATIONS (continued)

<u>Area</u>	<u>Comments</u>
10. Disagreements with Management 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.
11. Management Representations	We have requested certain representations from management that are included in the management representation letter dated April XX, 2014.
12. Management's Consultation with Other 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 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.
13. Other Significant Findings or Issues 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.
14. Communication of Internal Control Related Matters Identified in an Audit 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 Communication of Internal Control Related Matters section.

REQUIRED COMMUNICATIONS (continued)

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, 2013, 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 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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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.

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