

WESTCHESTER LIBRARY SYSTEM
Trustee Meeting
March 29, 2016 – Approved April 26, 2016

REGULAR MEETING

The Regular Meeting of the Westchester Library System was called to order by Cathy Draper, President, at 6:10 p.m. at WLS Headquarters. The quorum requirement was met with the following people in attendance:

Board Members present: Mary Amato, Dave Donelson, Cathy Draper, LaRuth Gray, Norman Jacknis, Naseem Jamali, Julie Mills-Worthey, Sue Neale, Alex Payan, Sean Ryan (left early), Edris Scherer, Luke Vander Linden

Board Members absent: Deborah Fay, Hope Furth, Barbara Hickernell

Also present from WLS were: Terry Kirchner, Patricia Brigham, Francine Feuerman, Rob Caluori

Guests: Andrew Silverstein, Partner, Dorfman Abrams Music, LLC; Oscar Davis, Acting President, Mount Vernon Public Library

MINUTES

The minutes of the meeting of January 26, 2016, were accepted as submitted without objection.

COMMITTEE REPORTS

Audit Committee: On behalf of Ms. Hickernell, Chair, Ms. Feuerman introduced Andrew Silverstein from Dorfman Abrams Music, LLC, WLS's auditors, who reviewed in detail the draft Report to those Charged with Governance for the Year ended December 31, 2015, and the Financial Statements with Independent Auditors' Report Years Ended December 31, 2015 and 2014. WLS received a clean, unmodified report. Both documents were reviewed and recommended for approval by the WLS Audit Committee on March 24th.

The Board approved acceptance of the submitted Financial Statements and Report to Those Charged with Governance for FY2015 on a motion by Dr. Gray and seconded by Ms. Scherer. The motion passed unanimously. Both documents will be updated to show the correct date of approval, and WLS staff was thanked for their efforts.

FINANCIAL REPORTS

The financial reports for February 2016 were presented by Ms. Scherer and were accepted as submitted on a motion by Ms. Scherer and seconded by Mr. Donelson. The motion passed unanimously [Mr. Ryan not present for vote].

ACTION ITEMS

Acceptance of the WLS System Annual Report to New York State: WLS's Annual Report, which must be submitted each year to New York State's Division of Library Development, was distributed prior to the meeting, reviewed and discussed. A few corrections were noted, and Elise Burke was thanked for her efforts in completing the Report.

The Board accepted the WLS System Annual Report 2015 on a motion by Mr. Jamali and seconded by Dr. Jacknis. The motion passed unanimously [Mr. Ryan not present for the vote].

Free Direct Access Plan: The WLS Free Direct Access Plan requires review as part of the development of the WLS Plan of Service 2017-2021 and was first distributed to the members of the Public Library Directors Association (PLDA) for comments.

One suggested change related to rank order of the criteria for determining the "home" library of a card holder which was incorporated into Section 1 of the draft 2017-2021 Free Direct Access Plan as follows:

For individuals meeting more than one of the eligibility requirements, the local library status will be determined on the priority order of where they: (1) live, (2) work, (3) go to school or (4) own real property.

The WLS Board approved the Free Direct Access Plan with the addition noted above on a motion by Mr. Donelson and seconded by Ms. Scherer. The motion was approved unanimously [Mr. Ryan was not present for the vote]. At the next PLDA meeting, the directors will be asked to have their library boards approve the revised Free Direct Access Plan. After approval by a majority of library boards, the Plan will be included with the WLS Plan of Service.

INFORMATION ITEMS

WLS Bylaws: Dr. Kirchner noted that the WLS Bylaws were included in the Governance Committee's annual review of the WLS Policies. While no changes are being recommended for the WLS Policies, several revisions are being recommended to the WLS Bylaws. A copy of the proposed Bylaws amendments will be sent according to the provisions currently in place and will be voted on at the April meeting.

PRESIDENT'S REPORT

Ms. Draper welcomed guest Oscar Davis, Acting Board President of the Mount Vernon Public Library. A WLS Executive Committee Meeting was held prior to the Board Meeting, and Ms. Draper spoke about two issues she would like to focus in the coming year: improving the evaluation process of the Executive Director and the strategic planning process for WLS. The following trustees expressed interest in being part of a smaller group to further explore the strategic planning process further: Mr. Jamali, Mr. Ryan, Ms. Mills-Worthey, Ms. Scherer, Mr. Vander Linden, and Dr. Gray.

COMMITTEE REPORTS

Development Committee: Mr. Vander Linden, Chair, noted that a committee meeting was held by phone on March 21st. The main topic covered was the selection of the WLS Trustees Award winner. Nominations were evaluated on library service that had impact in their communities based on broad impact, innovation and collaboration. Suzy Zavarella of the Ossining Public Library was selected as the awardee for her role in the initiation of the Battle of the Books competition.

Ms. Brigham spoke about the upcoming events celebrating this year's National Library Week from April 11-15. A press conference with County Executive Rob Astorino will be held on Monday, April 11th; the Celebrating Westchester Libraries Breakfast will be held on Wednesday, April 13th; and an online giving campaign, through the platform GiveGab, will be introduced to help WLS and member libraries support individual fundraising campaigns.

EXECUTIVE DIRECTOR'S REPORT

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

Dr. Kirchner encouraged all of the WLS Trustees to attend the April 13th Breakfast. A breakfast-style type of trustee institute event is under consideration for the WLS Annual Meeting in November in coordination with that month's PLDA Meeting featuring Alison Macrina from the Library Freedom Project to discuss policy implications for public libraries regarding security and privacy issues.

The lease has been signed for the 570 Taxter Road property. Construction crews are being selected for the build out of the 4th floor space, and WLS staff are gathering information for furniture selection, the move of the data center, movers and other general costs. A proposed budget for the move will be submitted to the Board, and a pre-visit to the new location for the WLS Trustees will try to be arranged.

The Library Trustees Association of New York State (LTA) is holding their annual Trustee Institute on May 6-7 in Plattsburgh, NY. This year's theme is *Every Library is a Small Library: Practices in Planning, Growth, Funding*. The Institute Schedule/Registration Form was distributed; and any WLS Trustees interested in attending should let Elise Burke know by April 19th.

OTHER

Dr. Gray spoke about the process regarding the City development plan for New Rochelle and how it involves the public library.

A number of libraries have new appointed Directors: Greg Wirszyla at the Bronxville Public Library; Joan Villaincourt at the Hastings-on-Hudson Public Library; and Mary Kane at the Katonah Village Library. Edward Canora has been appointed as Interim Director at the Dobbs Ferry Public Library.

ADJOURNMENT

Having completed its agenda, the Board adjourned its meeting at 7:35 p.m. on a motion by Dr. Gray, seconded by Dr. Jacknis, which passed unanimously.

Respectfully submitted,



Elise Burke
Recording Secretary



***REPORT TO THOSE
CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED DECEMBER 31, 2015***

CONTENTS

DECEMBER 31, 2015 AUDIT RESULTS

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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>
<p>1. Auditors' Responsibilities under U.S. Generally Accepted Auditing Standards</p> <p>As stated in our engagement letter dated January 8, 2016, 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, 2015 and for the year then ended. Our audit opinion will be dated March xx, 2016.</p>
<p>2. Planned Scope and Timing of the Audit</p>	<p>We performed the audit according to the planned scope and timing previously communicated to you.</p>

REQUIRED COMMUNICATIONS (continued)
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<u>Area</u>	<u>Comments</u>
6. Significant Difficulties Encountered During the Audit	We encountered no significant difficulties in dealing with management in performing and completing our 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. 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.
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.	There was no fraud or illegal acts noted during our audit.
9. Other Information in Documents Containing Audited Financial Statements 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)
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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.

OTHER RECOMMENDATIONS

IMLS/National Leadership Grants – Federal Financial Report

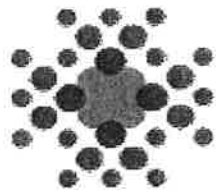
During the course of our audit procedures, we reviewed whether the Organization was submitting its financial report to the Institute of Museum and Library Services in a timely fashion. Per review of the contract and the reporting schedule, the 2015 interim financial report was to be submitted no later than December 31, 2015. We found that the Organization submitted this report after that date because they were waiting to receive all the invoices from the different vendors involved in the program. To help ensure timely submission, we recommend that the Organization establishes a timeline with the various vendors so the Organization can be compliant with grant requirements.

Classification of Contributions Revenue/Net Assets

During our testing of contribution revenue and the review of net assets, we noted that the Organization did not properly record a few temporarily restricted contributions. Per accounting principles generally accepted in the United States of America (GAAP), net assets and revenues as well as gains and losses are classified based on the existence or absence of donor imposed restrictions. We recommend the Organization remain diligent in its record keeping of contributions and reclassifications between unrestricted and temporarily restricted net assets based on the donor's intentions.

MANAGEMENT REPRESENTATION LETTER

MANAGEMENT REPRESENTATION LETTER (continued)



westchester
LIBRARY SYSTEM

***FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2015 AND 2014***

draft

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, 2015 and 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2015 and 2014, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March xx, 2016 on our consideration of Westchester Library System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Westchester Library System's internal control over financial reporting and compliance.

Saddle Brook, New Jersey

March xx, 2016

WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF ACTIVITIES

	Year ended December 31, 2015		Year ended December 31, 2014		
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted	Total
Operating support and revenues:					
Support and revenues:					
Governmental support:					
State grants	\$ 2,072,095	\$ 206,797	\$ 2,278,892	\$ 178,045	\$ 2,456,937
County grants	1,000,000	17,460	1,017,460	32,460	1,050,000
Federal grants		171,563	171,563	162,023	333,586
Total governmental support	3,072,095	395,820	3,467,915	372,528	3,840,443
Private support:					
Contributions	60,109	95,547	155,656	72,251	227,907
Special events, net of direct expenses of \$18,059 and \$26,121 for 2015 and 2014, respectively	(1,104)		(1,104)		(2,208)
Total private support	59,005	95,547	154,552	72,251	226,803
Total governmental and private support	3,131,100	491,367	3,622,467	444,779	4,067,246
Revenues:					
Member technology fees	2,716,797		2,716,797		2,716,797
Interest income	3,750		3,750		3,750
Realized gain on disposal of equipment	5,669		5,669		5,669
Other revenue	42,715		42,715		42,715
Total revenues	2,768,931		2,768,931		2,768,931
Net assets released from restrictions	512,389	(512,389)		(490,312)	(490,312)
Total operating support and revenues	6,412,420	(21,022)	6,391,398	(45,533)	6,345,865
Expenses:					
Program services:					
Technology	2,544,650		2,544,650		2,544,650
Public service	2,623,278		2,623,278		2,623,278
Total program services	5,167,928		5,167,928		5,167,928
Supporting services:					
Management and general Fundraising	985,897		985,897		985,897
	155,897		155,897		155,897
Total supporting services	1,141,794		1,141,794		1,141,794
Total expenses	6,309,722		6,309,722		6,309,722
Change in net assets before changes in post-retirement benefit obligation	102,698	(21,022)	81,676	(45,533)	36,143
Changes in post-retirement benefit obligation other than periodic costs	(229,131)		(229,131)		(458,262)
Change in net assets	(126,433)	(21,022)	(147,455)	(45,533)	(214,010)
Net assets, beginning of year	9,421	128,759	138,180	174,292	341,652
Net assets, end of year	\$ (117,012)	\$ 107,737	\$ (9,275)	\$ 128,759	\$ 102,219

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

WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2015 and 2014

	Program services				Total
	Technology		Public service		
	2015	2014	2015	2014	
Salaries	\$ 799,123	\$ 735,629	\$ 969,910	\$ 912,328	\$ 1,769,033
Fringe benefits	334,231	294,541	367,020	342,081	701,251
Total salaries and related expenses	<u>1,133,354</u>	<u>1,030,170</u>	<u>1,336,930</u>	<u>1,254,409</u>	<u>2,470,284</u>
Professional fees	4,469	4,188	1,328	965	5,797
Equipment	136,928	294,046	5,270	8,482	142,198
Books, film, etc.	156,975	131,740	112,054	239,836	269,029
Periodicals			20,093	36,900	20,093
Rent and utilities	94,800	97,012	133,700	133,044	228,500
Repairs and maintenance	347,371	453,709	302	3,368	347,673
Supplies	3,931	4,196	22,608	16,819	26,539
Telephone and internet	287,287	310,938	262	194	287,549
Printing and postage	3,852	739	29,715	23,847	33,567
Database	219,246	53,895	210,242	257,563	429,488
Conferences	1,570	12,239	35,392	17,634	36,962
Travel	8,430	10,005	16,591	11,667	25,021
Memberships	655	1,845	800	781	1,455
Contracts processing	4,475	25,078	323,954	302,355	328,429
Delivery service			371,033	364,000	371,033
Insurance	11,429	10,280			11,429
Interest					
Miscellaneous	1,924	4,292		5,821	4,928
Depreciation	127,954	78,842			127,954
Total expenses	<u>\$ 2,544,650</u>	<u>\$ 2,523,214</u>	<u>\$ 2,623,278</u>	<u>\$ 2,677,685</u>	<u>\$ 5,167,928</u>
					<u>\$ 1,647,957</u>
					<u>636,622</u>
					<u>2,284,579</u>
					<u>5,153</u>
					<u>302,528</u>
					<u>371,576</u>
					<u>36,900</u>
					<u>230,056</u>
					<u>457,077</u>
					<u>21,015</u>
					<u>311,132</u>
					<u>24,586</u>
					<u>311,458</u>
					<u>29,873</u>
					<u>21,672</u>
					<u>2,626</u>
					<u>327,433</u>
					<u>364,000</u>
					<u>10,280</u>

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

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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, 2015 or 2014.

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, 2015 and 2014

1. Summary of significant accounting policies (continued)

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, 2015 and 2014, 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 2014 financial statements to conform to the 2015 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 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 1) accounts and other receivables 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 the years ended December 31, 2015 and 2014, the Organization received approximately 36% and 35%, respectively, of its total support and revenues from grants from the State of New York and approximately 16% and 17%, respectively, from Westchester County Grants.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

7. 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, 2015 and 2014, the accumulated post-retirement benefit obligation is calculated using discount rates of 3.79% and 4.63% for the years ended December 31, 2015 and 2014, respectively.

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

	December 31,	
	2015	2014
Changes in accumulated post-retirement benefit obligation:		
Accumulated post-retirement benefit obligation at January 1	\$ 3,822,358	\$ 3,032,741
Service cost	71,787	54,480
Interest cost	159,421	141,543
Plan participant contributions	34,809	29,874
Medicare Part D subsidy received	567	949
Actuarial loss	283,957	832,706
Benefits paid	(256,551)	(269,935)
Accumulated post-retirement benefit obligation, December 31	<u>\$ 4,116,348</u>	<u>\$ 3,822,358</u>
Change in plan assets:		
Fair value of plan assets, January 1	\$	\$
Employer contributions	205,232	203,866
Employee contributions	34,809	29,874
Medicare Part B subsidy received	15,943	35,246
Medicare Part D subsidy received	567	949
Benefits paid	(256,551)	(269,935)
Fair value of plan assets, December 31	<u>\$</u>	<u>\$</u>
Funded status:		
Unfunded benefit obligation	<u>\$ 4,116,348</u>	<u>\$ 3,822,358</u>
	December 31,	
	2015	2014
Components of net periodic benefit cost:		
Service cost	\$ 71,787	\$ 54,480
Interest cost	159,421	141,543
Amortization of transition obligation		41,323
Amortization of prior service cost	(119,764)	(199,573)
Amortization of actuarial loss	174,590	84,508
	<u>\$ 286,034</u>	<u>\$ 122,281</u>

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

8. Commitments and contingencies

The Organization leases its office facilities under an operating lease expiring on June 30, 2016. The lease provides for minimum annual rental payments as follows:

Year ending December 31:	
2016	\$ <u>119,824</u>

Rent expense, including escalation charges, for 2015 and 2014 was \$270,833 and \$281,888, respectively.

9. 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.

10. Letter of credit and line of credit

The Organization has a \$5,000,000 Irrevocable Stand-by Letter of Credit with a financing institution which expires on February 2, 2016. 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, 2015 and 2014.

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 both December 31, 2015 and 2014.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

12. Board-designated

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

	2015 Unrestricted	2014 Unrestricted
Board-designated funds, beginning of year	\$ 487,040	\$ 486,657
Interest income	321	383
Board-designated funds, end of year	\$ 487,361	\$ 487,040

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.

13. 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,	
	2015	2014
Central Library Aid	\$ 52,095	\$ 48,750
Local Library Services Aid	241,185	253,263
Westchester Community College	328,602	284,375
Grants in Aid	97,672	66,708
Member Library	100,765	50,250
	\$ 820,319	\$ 703,346

14. Subsequent events

Subsequent events have been evaluated through March xx, 2016, which is the date the financial statements were available to be issued.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Westchester Library System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Saddle Brook, New Jersey

March xx, 2016

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