

**WESTCHESTER LIBRARY SYSTEM**  
**Trustee Meeting**  
**April 30, 2019 – Approved May 28, 2019**

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

Board Members present: Dave Donelson, Cathy Draper, Karen Kelley, Maureen LeBlanc, Jonathan Marshall, Denise Matthews-Serra, Susan Morduch, Francis Okelo, Joseph Puglia, Sean Ryan, Edris Scherer, Bernie Seiler

Board Members absent: Julie Mills-Worthey, Karen Zevin

Also present from WLS were: Terry Kirchner, Patricia Brigham, Francine Feuerman, Rob Caluori, Elena Falcone, Elise Burke

Guest: Andrew Farber, Director, Somers Library

Mr. Ryan welcomed trustee Denise Matthews-Serra, who was appointed at the March Board Meeting to fill the vacancy for WLS District XI (White Plains). The oath of office was administered and she was given a copy of the WLS Conflict of Interest Policy.

The entire WLS Information Technology (IT) Department was applauded for the successful migration of the Integrated Library System (ILS) from SirsiDynix to Evergreen.

Ms. Falcone gave a brief overview of Learning Upgrade, a new tool that uses audio and graphics to teach reading and math in a game-style manner available as an app for Android and iOS as well as via web browser. Building awareness and use of this tool and mobile learning resources for hard-to-serve adult audiences is part of Phase 1 of the Barbara Bush Foundation Adult Literacy XPrize Communities Competition. In Phase 2 of the competition, the three teams that achieve the most downloads and use of Learning Upgrade across three tiers of activity will share a \$500,000 prize. WLS's competition tier has a goal of 1,500 downloads and use that must take place between April 1<sup>st</sup> and August 31<sup>st</sup>. Ms. Falcone noted that copies of a new brochure - *Free Online Learning Resources for All Ages* - will be distributed, followed by advertising, outreach and hosting of "download events" at a number of locations. To encourage participation, one Android tablet will be raffled off each week. Trustees were asked to share any community contacts with Ms. Falcone who may be interested.

## **MINUTES**

The following change was recommended to the proposed minutes for the meeting of March 26, 2019: on Page 3, revise the first sentence of the second paragraph under Other Business to: "A grant from the Herman Goldman Foundation was received to support WLS's 2020 Census Complete Count Initiative. In addition a portion of TD Bank's sponsorship is directed toward this Initiative's promotion." The minutes were approved as revised on a motion by Mr. Puglia and seconded by Mr. Seiler. The motion was approved unanimously.

**FINANCIAL REPORTS**

The financial report through March 2019 was presented by Ms. Scherer and was accepted on a motion by Mr. Donelson and seconded by Mr. Seiler. The motion was approved unanimously. The check register was distributed.

**ACTION ITEM**

**WLS System Annual Report to New York State:** Ms. Burke reported on WLS’s System Annual Report to New York State. The overall format remained the same as in 2017, and Ms. Burke noted some of the highlights from 2018 Report.

The Board accepted the 2018 WLS System Annual Report as submitted on a motion by Ms. Kelley and seconded by Mr. Puglia. The motion passed unanimously. The WLS staff was thanked for their efforts in completing the Report.

**Strengthening WLS IT Response:** A virus infection in January 2019 affected public computers managed by Westchester Library System (WLS) at some of the libraries. Less than one-third of the libraries were affected, but those that were could not provide service to their patrons as a result. It took four weeks to bring the situation to a total resolution. This incident revealed the need for greater protection to prevent and address an attack, better staffing levels for more consistent coverage as well as clearer communication procedures.

WLS staff developed a plan of action to strengthen the WLS IT response to any unplanned event, which includes investment in additional software and staffing not included in the approved 2019 budget. This plan also covers future considerations that are being suggested for incorporation into the WLS FY 2020 budget planning. The proposed items below specifically address concerns identified from member libraries during the recent virus activity as well as during the subsequent Integrated Library System (ILS) migration and server upgrades and were shared with PLDA at their April Meeting.

<b>Proposed additional expenses – FY2019</b>			
<b>Item</b>	<b>Operating</b>	<b>Capital</b>	<b>Estimated Start</b>
Intrusion Detection / Protection System (IDS/IPS)	\$0	\$100,000	Fall 2019
Third-Party Network Administration*	\$45,000	\$0	Summer 2019
Full Time Support Technician*	\$32,500	\$0	June 2019

\*Figures for personnel reflect total compensation including salary and benefits.

<b>Proposed additional expenses – FY2020</b>	
<b>Item</b>	<b>Operating</b>
Additional System Administrator*	\$95,000
Maintain Expanded Training Program*	\$65,000

\*Figures for personnel reflect total compensation including salary and benefits.

Discussion followed regarding the causes of the recent incident; how these proposed solutions would help address future issues; the relationship of PLDA to WLS; and current communication procedures and future enhancements.

The WLS Board approved the additions to the WLS FY2019 budget as recommended above with no increases to the member library IT fees on a motion by Ms. Scherer and seconded by Ms. LeBlanc. The motion passed unanimously.

## **PRESIDENT REPORT**

Mr. Ryan noted that Ms. Draper, Mr. Okelo and he had attended the Mount Vernon Public Library Open House held on April 25<sup>th</sup>. WLS Trustee Julie Mills-Worthey was recognized for her contributions to the Mount Vernon Public Library, and the WLS Board congratulated her as well.

## **COMMITTEE REPORTS**

**Innovation Group:** Mr. Donelson noted that the group has identified the 2020 Census as an opportunity for WLS and libraries to be involved in this important process for all communities. With this being the first Census where replies will be collected online, libraries can offer a place to distribute information and provide Internet connection for those who may not have it at their home. WLS and the member libraries have already taken a leading role by becoming a Complete Count Committee (CCC), and Dr. Kirchner is a member of the Westchester County CCC. Future steps include the hiring of a Project Coordinator to identify Hard-to-Count communities, research target markets, and establish an awareness campaign and potential partners. Ms. Brigham will compile a prospect list of donors. It was noted that the response rate for New York State in the 2010 Census was 73%; therefore, encouraging better participation is vital to Federal-level funding that is based on Census results.

**Nominating Committee:** The position for WLS District X (Port Chester, Rye Brook, Rye City, Rye Town) is still open; Ms. Morduch is working with a potential candidate.

**Governance Committee:** Ms. Draper, Chair, noted that a few new members have been recruited and the committee will meet at 5 p.m., prior to the WLS Trustee Institute on Open Meetings Law being held on June 12<sup>th</sup> at 6 p.m. at the Hendrick Hudson Free Library.

**Audit Committee:** Ms. Scherer, Chair, noted that the Committee met with the WLS Auditors on April 11<sup>th</sup> to review the *Financial Statements and Report to Those Charged with Governance* for year ending 12/31/2018. The management letter contained no comments and Ms. Feuerman was thanked for her excellent work.

The Board approved the *Financial Statements Years Ended December 31, 2018 and 2017* and *Report to Those Charged with Governance for the Year Ended December 31, 2018* as submitted (see attached) on a motion by Ms. Scherer and seconded by Ms. Kelley. The motion was approved unanimously.

## **INFORMATION ITEM**

At the Audit Committee meeting, there was discussion of transferring Board Restricted monies (approximately \$495,000) from the Operating Account to the Investment Account. There is not an anticipated short-term need for these funds, and the transfer would result in a higher return than what the money is getting now. All investments would be made in accordance with WLS Investment Policy. Further details for action will be shared at next month's meeting.

## EXECUTIVE DIRECTOR'S REPORT

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

Dr. Kirchner attended a reception in honor of LaRuth Gray, former WLS Trustee, at the New Rochelle Public Library.

Westchester County Board of Legislator Lyndon Williams reached out to Dr. Kirchner via email regarding a proposal to dedicate space for books and reference materials as the Katherine G. Johnson Math and Science Section of the Mount Vernon Public Library. Dr. Kirchner phoned Mr. Williams but was unable to contact him for further information.

Dr. Kirchner plans to attend the NYS Permanent Access to Justice Initiative at the 9<sup>th</sup> Judicial District. This initiative seeks to provide easy access for all to materials for civil disputes and how they can be reported, even if one does not have money. Libraries were mentioned often as information brokers for resources. Initial areas to address include how to make technology more widely used and how to increase awareness.


## PLDA REPRESENTATIVE

Mr. Farber reported on the April PLDA Meeting. The status of the member library Annual Reports was noted. The Integrated Library System (ILS) Committee is being re-convened with Jesse Bourdon as Chair. This committee will help direct changes for Evergreen and their priority. The plan to strengthen the IT Department response to unplanned events was reviewed. There were also updates and discussion on the following: the migration to Evergreen; the slow log-on process to the Virtual Desktop Infrastructure (VDI); WLS E-Rate filing; and the bandwidth project to bring member libraries to 100 mbps.

## ADJOURNMENT

Having completed its agenda, the Board adjourned its meeting at 7:35 p.m. on a motion by Ms. Scherer and seconded by Ms. Morduch that passed unanimously.

Respectfully submitted,

  
Bernie Seiler  
Secretary



***FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2018 AND 2017***

DRAFT

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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of Westchester Library System which comprise the balance sheets as of December 31, 2018 and 2017, 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, 2018 and 2017, 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.

### ***Emphasis of Matters***

As discussed in Note 2 to the financial statements, in 2018 the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*. Our opinion is not modified with respect to these matters.

Saddle Brook, New Jersey

April XX, 2019

WESTCHESTER LIBRARY SYSTEM

BALANCE SHEETS

ASSETS

	December 31,	
	<u>2018</u>	<u>2017</u>
Cash	\$ 3,479,081	\$ 3,794,703
Investments	1,005,032	
Grants receivable	252,175	250,000
Accounts and other receivables	30,329	99,752
Prepaid expenses	589,109	568,037
Computer inventory	57,695	42,597
Property and equipment, net	749,485	936,832
Intangible assets, net	8,000	10,000
Total assets	<u>\$ 6,170,906</u>	<u>\$ 5,701,921</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 398,716	\$ 449,887
Deferred revenue	959,124	624,430
Deferred rent	289,790	293,556
Post-retirement benefit obligation	3,815,633	4,380,908
Total liabilities	<u>5,463,263</u>	<u>5,748,781</u>
Net assets:		
Without donor restrictions	615,427	(131,777)
With donor restrictions	92,216	84,917
Total net assets	<u>707,643</u>	<u>(46,860)</u>
Total liabilities and net assets	<u>\$ 6,170,906</u>	<u>\$ 5,701,921</u>

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



WESTCHESTER LIBRARY SYSTEM  
STATEMENTS OF ACTIVITIES

	Year ended December 31, 2018			Year ended December 31, 2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating support and revenues:						
Governmental support:						
State grants	\$ 2,539,060	\$	\$ 2,539,060	\$ 2,472,277	\$	\$ 2,472,277
County grants	1,017,460		1,017,460	1,017,460		1,017,460
Total governmental support	3,556,520		3,556,520	3,489,737		3,489,737
Private support:						
Contributions	201,989	131,833	333,822	6,466	147,425	153,891
Special events, net of direct expenses of \$10,418 and \$13,158 for 2018 and 2017, respectively	792		792	(496)		(496)
Total private support	202,781	131,833	334,614	5,970	147,425	153,395
Total governmental and private support	3,759,301	131,833	3,891,134	3,495,707	147,425	3,643,132
Revenues:						
Member technology fees	2,807,910		2,807,910	2,732,114		2,732,114
Interest income	16,444		16,444	9,708		9,708
Investment income	1,491		1,491			
Other revenue	27,096		27,096	42,585		42,585
Total revenues	2,852,941		2,852,941	2,784,407		2,784,407
Net assets released from restrictions	124,534	(124,534)		175,863	(175,863)	
Total operating support and revenues	6,736,776	7,299	6,744,075	6,455,977	(28,438)	6,427,539
Operating expenses:						
Program services:						
Technology	2,991,908		2,991,908	2,800,603		2,800,603
Public service	2,391,250		2,391,250	2,628,543		2,628,543
Total program services	5,383,158		5,383,158	5,429,146		5,429,146
Supporting services:						
Management and general	1,212,285		1,212,285	1,077,265		1,077,265
Fundraising	181,323		181,323	155,965		155,965
Total supporting services	1,393,608		1,393,608	1,233,230		1,233,230
Total expenses	6,776,766		6,776,766	6,662,376		6,662,376
Change in net assets from operations	(39,990)	7,299	(32,691)	(206,399)	(28,438)	(234,837)
Nonoperating activities:						
Investment return - unrealized gain	7,441		7,441			
Post-retirement benefit obligation other than periodic costs	779,753		779,753	(183,998)		(183,998)
Total nonoperating activities	787,194		787,194	(183,998)		(183,998)
Change in net assets	747,204	7,299	754,503	(380,397)	(28,438)	(418,835)
Net assets, beginning of year	(131,777)	84,917	(46,860)	258,620	113,355	371,975
Net assets, end of year	\$ 615,427	\$ 92,216	\$ 707,643	\$ (131,777)	\$ 84,917	\$ (46,860)

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

WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 754,503	\$ (418,835)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Stock donations	(196,100)	
Depreciation	242,282	199,963
Amortization of intangible asset	2,000	
Pension and post-retirement related changes other than net periodic pension costs	(779,753)	183,998
Unrealized gain on investments	(7,441)	
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(2,175)	30,522
Accounts and other receivables	69,423	(27,636)
Prepaid expenses	(21,072)	133,619
Computer inventory	(15,098)	(11,507)
Increase (decrease) in:		
Accounts payable	(51,171)	(20,648)
Deferred revenue	334,694	(21,854)
Deferred rent	(3,766)	147,530
Post retirement benefits payable	214,478	173,237
Net cash provided by operating activities	<u>540,804</u>	<u>368,389</u>
Cash flows from investing activities:		
Purchase of investments	(801,491)	
Purchase of intangibles		(10,000)
Purchases of property and equipment	(54,935)	(255,247)
Net cash used in investing activities	<u>(856,426)</u>	<u>(265,247)</u>
Net increase (decrease) in cash	(315,622)	103,142
Cash, beginning of year	<u>3,794,703</u>	<u>3,691,561</u>
Cash, end of year	<u>\$ 3,479,081</u>	<u>\$ 3,794,703</u>

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

WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2018 and 2017

	Program services					
	Technology		Public service		Total	
	2018	2017	2018	2017	2018	2017
Salaries	\$ 900,207	\$ 873,663	\$ 876,061	\$ 1,001,209	\$ 1,776,268	\$ 1,874,872
Fringe benefits	354,764	338,322	360,381	369,287	715,145	707,609
Total salaries and related expenses	1,254,971	1,211,985	1,236,442	1,370,496	2,491,412	2,582,481
Hardware and software maintenance						
Database	467,054	423,294	1,702	3,646	468,756	426,940
Delivery service	179,768	198,216	206,800	256,822	386,568	455,038
Telephone and internet			388,044	404,688	388,044	404,688
Rent and utilities	337,185	317,662		400	337,185	318,062
Periodicals	112,606	118,507	154,443	150,204	267,049	268,711
Depreciation	140,629	63,202	103,621	60,724	244,250	123,926
Books, film, etc.	228,061	185,966			228,061	185,966
Contractual services	95,807	95,016	70,595	91,289	166,402	186,305
Equipment	28,395	37,884	85,562	159,925	113,958	197,809
Professional development	94,060	111,593	248	736	94,308	112,329
Printing and postage	22,443	4,897	56,105	59,594	78,548	64,491
Professional fees	511	130	60,577	42,621	61,088	42,751
Supplies	4,799	6,443	512	996	5,311	7,439
Travel	3,208	2,949	13,210	13,533	16,418	16,482
Insurance	6,084	8,575	10,103	9,745	16,187	18,320
Memberships	10,315	10,560			10,315	10,560
Miscellaneous	240	372	2,491	843	2,731	1,215
Intangible asset amortization	3,773	3,352	795	2,281	4,568	5,633
	2,000				2,000	
Total operating expenses	\$ 2,991,908	\$ 2,800,603	\$ 2,391,250	\$ 2,628,543	\$ 5,383,158	\$ 5,429,146

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

WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2018 and 2017

	Management and general		Supporting services		Total		Total program and supporting services	
	2017		2018		2017		2018	
Salaries	\$ 433,261	\$ 373,133	\$ 129,236	\$ 102,422	\$ 475,555	\$ 2,338,765	\$ 2,350,427	
Fringe benefits	591,016	537,751	38,870	37,027	629,886	1,345,031	1,282,387	
Total salaries and related expenses	1,024,277	910,884	168,106	139,449	1,192,384	3,683,796	3,632,814	
Hardware and software maintenance	10,030	8,891	351	2,388	10,381	479,137	438,219	
Database	3,154				3,154	389,722	455,038	
Delivery service	822	525		1,642	822	388,044	405,213	
Telephone and internet	52,593	2,979		10,284	63,318	338,007	322,683	
Rent and utilities	2,467	57,191	10,726		2,467	330,367	336,186	
Periodicals	14,222	13,997			14,222	246,717	123,926	
Depreciation	1,681				1,681	242,282	199,963	
Books, film, etc.	5,179	4,653			5,179	168,083	186,305	
Contractual services	13,615	9,601			13,615	119,137	202,462	
Equipment	17,404	3,156			17,441	107,923	121,930	
Professional development	9,666	8,022		36	9,778	95,989	67,647	
Printing and postage	24,269	22,107		111	24,269	70,866	50,773	
Professional fees	7,317	7,311		290	7,317	29,580	29,546	
Supplies	4,128	5,438			5,973	23,734	24,083	
Travel	10,312	10,828	1,845	1,617	10,312	22,160	25,375	
Insurance	9,164	11,254	148	295	9,311	20,626	21,388	
Memberships	1,985	428			1,985	12,042	12,764	
Miscellaneous						6,554	6,061	
Intangible asset amortization						2,000		
Total operating expenses	\$ 1,212,285	\$ 1,077,265	\$ 181,323	\$ 155,965	\$ 1,393,608	\$ 6,776,766	\$ 6,662,376	

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

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

1. Nature of the Organization

The Westchester Library System (the Organization) 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.

2. Summary of significant accounting policies

New accounting pronouncement

During 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service, and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

As a result of the adoption of ASU, net assets as of December 31, 2017 were reclassified as follows:

	ASU Classifications		
	Without donor restrictions	With donor restrictions	Total net assets
Net asset classifications			
As previously presented:			
Unrestricted	\$ (131,777)	\$	\$ (131,777)
Temporarily restricted		84,917	84,917
Total net assets	\$ (131,777)	\$ 84,917	\$ (46,860)

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

Basis of presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and post-retirement benefit obligations other than periodic costs, and other activities considered to be of a more unusual or nonrecurring nature.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash consists of demand deposit accounts with maturities of three months or less. Money market funds, held as a portion of the Organization's investment portfolio, are classified as investments and are not considered to be cash equivalents for purposes of the statement of cash flows.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value, based on quoted market prices, in the balance sheet. Investment fees are netted against the investment return.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

Fair value measurement

U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under U.S. GAAP are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 - Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Organization. The Organization considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

Accounts receivable

Accounts receivable consist of amounts unpaid from member libraries. All accounts receivable are expected to be collected within one year.

Grants receivable

Grants receivable consist of amounts unpaid from the New York State and the Westchester County. All grants receivable are expected to be collected within one year.

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, 2018 and 2017, the Organization determined that an allowance was not necessary.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Prepaid expenses

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

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.

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 is computed using the straight-line method. The mobile library application was put in service in January 2018.

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 attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort and square footage.

Deferred revenue

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



WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

Income taxes

The Organization is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.

3. Concentration of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, investments, and 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. Investments are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported on the financial statements. Concentrations of credit risk with respect to accounts 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. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

4. Availability and liquidity

The following represents the Organization's financial assets at December 31:

Financial assets at year end	2018	2017
Cash	\$ 3,479,081	\$ 3,794,703
Investments	1,005,032	
Grants receivable	252,175	250,000
Accounts and other receivables	30,329	99,752
Total financial assets	4,766,617	4,144,455
 Less amounts not available to be used within one year:		
Net assets with donor restrictions	92,216	84,917
Less net assets with purpose restrictions to be met in less than a year	(92,216)	(84,917)
Funds functioning as board designated reserve fund	493,845	491,986
	493,845	491,986
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,272,772	\$ 3,652,469

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1,700,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

In addition, the board has designated funds to cover shortfalls in cash flows and may be used for new initiatives and services as determined by the Board of Trustees (see note 15).

The Organization also has a lines of credit available to meet short-term needs in the amount of \$500,000 (see note 13).

5. Investments

Investments are stated at fair value and summarized as follows at December 31, 2018.

	Cost	Fair value
Cash	\$ 532	\$ 532
United States Treasuries	1,000,069	1,004,500
	\$ 1,000,601	\$ 1,005,032

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

5. Investments (continued)

The following schedule summarizes the investment return at December 31, 2018. All investment earnings are available for the unrestricted use of the Organization:

Dividends and interest	\$ 1,491
Unrealized gain	7,441
	\$ 8,932

6. Fair value measurement

The classification of the Organization's investment securities at fair value is as follows at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Cash	\$ 532	\$	\$	\$ 532
United States treasury bills	1,004,500			1,004,500
	\$ 1,005,032	\$	\$	\$ 1,005,032

7. Property and equipment

Property and equipment consists of the following:

	December 31,	
	2018	2017
Furniture and equipment	\$ 1,624,202	\$ 1,569,267
Leasehold improvements	99,857	99,857
	1,724,059	1,669,124
Less accumulated depreciation	974,574	732,292
	\$ 749,485	\$ 936,832

Depreciation expense for the years ended December 31, 2018 and 2017 was \$242,282 and \$199,963, respectively.

WESTCHESTER LIBRARY SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2018 and 2017

8. Intangible assets

Intangible assets consists of the following:

	December 31,	
	2018	2017
Mobile library application	\$ 10,000	\$ 10,000
Less accumulated amortization	2,000	
	\$ 8,000	\$ 10,000

Amortization expense for the years ended December 31, 2018 and 2017 was \$2,000 and \$0, respectively.

Estimated amortization expense for each of the next four years ended December 31 is as follows: 2019 - \$2,000; 2020 - \$2,000; 2021 - \$2,000 and 2022 - \$2,000.

9. 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, 2018 and 2017, deferred rent amounted to \$289,790 and \$293,556, respectively.

10. Post-retirement benefit obligation

The Organization provides post-retirement health care 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 4.09% and 3.47% for the years ended December 31, 2018 and 2017, respectively.



WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

10. Post-retirement benefit obligation (continued)

The following are the actuarial assumptions and effects:

	December 31,	
	2018	2017
Medical trend rate next year	7.50% / 5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year ultimate trend rate is achieved	2023 / 2009	2009
Discount rate used to value end of year accumulated post-retirement benefit obligations	4.09%	3.47%
Discount rate used to value end of year net periodic post-retirement benefit costs	3.47%	3.92%
Effect of a 1% increase in healthcare cost trend rate on:		
a. Interest cost plus service cost	\$ 39,462	\$ 26,269
b. Accumulated post-retirement benefits	248,778	361,509
Effect of a 1% decrease in health:		
a. Interest cost plus service cost	\$ (16,679)	\$ (19,801)
b. Accumulated post-retirements benefits	(192,220)	(282,222)

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

Year ending December 31:	
2019	\$ 230,841
2020	226,184
2021	203,349
2022	209,275
2023	213,779
2024 - 2028	1,124,960

11. Commitments and contingencies

Office lease

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:	
2019	\$ 297,908
2020	305,026
2021	312,145
2022	319,263
2023	326,382
Thereafter	1,197,505
	\$ 2,758,229

The Organization's rent expense, including escalation charges, for the years ended December 31, 2018 and 2017 was \$330,367 and \$335,626, respectively.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

11. 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:	
2019	\$ 9,120
2020	9,120
2021	<u>3,800</u>
	<u>\$ 22,040</u>

12. Government grants and contracts and advances under government grants

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. Funds received in period prior to the cost being incurred are deferred until future period.

13. Letter of credit and line of credit

During the years ended December 31, 2018 and 2017, the Organization had an Irrevocable Stand-by Letter of Credit with a financing institution in the amount of \$4,500,000 and \$4,000,000. The Irrevocable Stand-by Letter of Credit expires on May 15, 2019. 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, 2018 and 2017.

The Organization has a \$500,000 revolving Line of Credit agreement with a financing institution with a maturity date of August 28, 2019. The interest rate on the line is 6%. There were no borrowings during the years and no amounts were outstanding at both December 31, 2018 and 2017.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

14. Net assets

Net assets were as follows for the years ended December 31, 2018 and 2017:

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated	\$ 121,582	\$	\$ 121,582	\$ (623,763)	\$	\$ (623,763)
Board designated reserved fund	493,845		493,845	491,986		491,986
Specific purpose:						
Gates Staying Connected Training Program		5,094	5,094		5,094	5,094
Bruni Verges Memorial Fund		4,231	4,231		4,231	4,231
People and Stories		2,096	2,096		2,096	2,096
Battle of the Books		11	11		1,884	1,884
MiniGrants		44,986	44,986		43,001	43,001
TASC Connect		5,000	5,000		5,000	5,000
Marketing and Professional Development		12,018	12,018		13,000	13,000
Early Literacy		18,000	18,000		10,000	10,000
Broadband Technology Opportunities Program		780	780		611	611
Total net assets	\$ 615,427	\$ 92,216	\$ 707,643	\$ (131,777)	\$ 84,917	\$ (46,860)

Releases from net assets with donor restrictions are as follows at December 31:

	2018	2017
Satisfaction of purpose restrictions		
Broadband Technology Opportunities Program	\$ 34,033	\$ 33,395
LIU Certificate	32,950	40,450
Learning Ambassadors	3,650	12,300
Battle of the Books	3,873	2,607
MiniGrants	8,015	5,567
TASC Connect	15,200	10,000
Early Literacy	10,000	
Marketing and Professional Development	16,813	
Creative aging programs		23,022
Community Dialogue on Criminal Justice Issues		40,000
Patron Stories		8,522
	\$ 124,534	\$ 175,863



WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

15. 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:

	2018 Without donor restriction	2017 Without donor restriction
Board-designated funds, beginning of year	\$ 491,986	\$ 487,853
Interest income	1,859	4,133
Board-designated funds, end of year	\$ 493,845	\$ 491,986

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-designated 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.

16. 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,	
	2018	2017
Central Library Aid	\$ 53,000	\$ 66,927
Local Library Services Aid	282,465	279,694
Westchester Community College	1,308	96,220
Grants in Aid	120,000	37,500
Member Library		208
	\$ 456,773	\$ 480,549

17. Significant source of support

During the years ended December 31, 2018 and 2017, the Organization received approximately 38% and 37%, respectively, of its total support and revenues from grants from the State of New York and approximately 15% and 16%, respectively, from Westchester County Grants.

18. Subsequent events

Subsequent events have been evaluated through April XX, 2019, which is the date the financial statements were available to be issued.



*REPORT TO THOSE  
CHARGED WITH GOVERNANCE  
FOR THE YEAR ENDED DECEMBER 31, 2018*

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

We have audited the financial statements of Westchester Library System for the year ended December 31, 2018, and have issued our report thereon dated April XX, 2019. 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, 2019

## CONTENTS

### DECEMBER 31, 2018 AUDIT RESULTS

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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
- Investments
- Prepaid expenses
- Property and equipment
- Functional allocation of expenses
- Report with new accounting pronouncements

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

## REQUIRED COMMUNICATIONS

Auditing Standards AU-C Section 260, *The Auditor's Communication With Those Charged with Governance*, 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 December 31, 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, 2018 and for the year then ended. Our audit opinion will be dated April XX, 2019.</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>

**REQUIRED COMMUNICATIONS (continued)**

<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 2 to the financial statements.</p>	<p><b>New Accounting Policies</b> There is a new accounting pronouncement affecting the December 31, 2018 and 2017 financial statements. The Organization adopted Accounting Standards Update (ASU) No. 2016-14, <i>Not-for-Profit Entities</i>.</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><li>• Fair value measurement of investments</li><li>• Availability and liquidity</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>

**REQUIRED COMMUNICATIONS (continued)**

<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, 2019.
<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, 2018, 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.

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## CORRECTED MISSTATEMENTS

### Adjusting Entries:

#### Adjusting Journal Entries JE # 1

To amortize mobile library application for 2018.

9950	Intangible Assets Amortization	2,000.00	
1360	Mobile App		<u>2,000.00</u>
<b>Total</b>		<u><b>2,000.00</b></u>	<u><b>2,000.00</b></u>

#### Adjusting Journal Entries JE # 2

To record investment activities.

1032	TD Investment	9,536.00	
9017	Investment Fees	10.00	
4200	Contributions		604.00
4710	Investment Income		1,501.00
9404	Unrealized Gain/Loss		<u>7,441.00</u>
<b>Total</b>		<u><b>9,546.00</b></u>	<u><b>9,546.00</b></u>

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**MANAGEMENT REPRESENTATION LETTER**

**MANAGEMENT REPRESENTATION LETTER (continued)**

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