

**WESTCHESTER LIBRARY SYSTEM**  
**Trustee Meeting**  
**April 25, 2017 – Approval Pending**

**REGULAR MEETING**

The Regular Meeting of the Westchester Library System was called to order by Cathy Draper, President, at 6:07 p.m. at WLS Headquarters. The quorum requirement was met with the following people in attendance:

Board Members present: Mary Amato, Cathy Draper, LaRuth Gray, Barbara Hickernell, Norman Jacknis, Susan Morduch, Alex Payan, Sean Ryan, Edris Scherer

Board Members absent: Dave Donelson, Hope Furth, Julie Mills-Worthey, Sue Neale, Karen Zevin

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

Public Library Directors Association (PLDA) Representative: Carolyn Reznick, Director of Ruth Keeler Memorial Library (North Salem)

**MINUTES**

The minutes of the meeting of March 28, 2017, were accepted on a motion by Ms. Scherer and seconded by Ms. Morduch. The motion passed unanimously [Dr. Gray not present for vote].

**FINANCIAL REPORTS**

The financial report through March 2017 was presented by Ms. Scherer and was accepted on a motion by Ms. Scherer and seconded by Ms. Hickernell. The motion passed unanimously [Dr. Gray not present for vote]. The check register was distributed.

**INFORMATION ITEM**

***WLS Policy re Board Meeting Participation via Video Conference:*** Dr. Jacknis reported that the Governance Committee reviewed the issue of remote trustee participation at board meetings and is suggesting the attached new policy. In accordance with regular procedures, the policy was distributed at this month's meeting and will be voted on next month. This participation would be available to WLS Trustees who are not in Westchester or physically unable to come but would not count toward a quorum.

WLS IT staff will select software to determine sufficient bandwidth for the video conference connection, which should not take long to install.

**ACTION ITEMS**

***Acceptance of the WLS System Annual Report to New York State:*** Dr. Kirchner reported on WLS's System Annual Report to New York State, which had been tabled from last month's meeting.

The Board accepted the 2016 WLS System Annual Report as submitted on a motion by Dr. Jacknis and seconded by Ms. Draper. The motion passed unanimously [Dr. Gray not present for vote]. The WLS staff was thanked for their efforts in completing the Report.

## **COMMITTEE REPORTS**

***Development Committee:*** Dr. Kirchner distributed a report on behalf of Pat Brigham regarding the Celebrating Libraries Breakfast. Author Regina Calcaterra was an excellent speaker and showed the vital role libraries can play and how library staff can make a positive difference in someone's life. County Executive Rob Astorino came to present the award to Rob Kissner from Digital Arts Experience. Over 200 people attended, and the Doral Arrowwood was a lovely venue. Financial information for the event will be supplied.

***Central Library Study Committee:*** Ms. Draper appointed the following people for this committee: Dave Donelson (Chair), Susan Morduch, Sean Ryan, and Edris Scherer. The first meeting was held on April 13<sup>th</sup>. This organizational meeting covered the committee's charge, information to be gathered, and the process and schedule of future meetings.

***Audit Committee:*** Ms. Hickernell thanked Ms. Feuerman for the glowing report given by the WLS auditors. A few process improvements were suggested and will be put in place, but no major findings were noted.

The Board approved the audited Financial Statements and Governance Report as submitted (see attached) on a motion by Ms. Hickernell and seconded by Ms. Scherer. The motion passed unanimously [Dr. Jacknis not present for vote].

## **PRESIDENT'S REPORTS**

Ms. Draper, Dr. Kirchner and Mr. Donelson attended the April 20<sup>th</sup> Mount Vernon Public Library Open House. This annual event highlighted the library's successes and included local jazz musicians and the orchestra from the high school. A personal tour of the library was given by Mount Vernon Public Library Board President Oscar Davis showing the significant improvements that have been made to the building and those planned.

## **EXECUTIVE DIRECTOR'S REPORT**

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

Dr. Kirchner surveyed the member libraries who are currently using filters. Of the 28 responses received, only two use filters. Final results of the survey will be shared at the May meeting.

Trustees were reminded that the WLS Trustee Institute on Board Meeting Minutes with Elise Burke, WLS Executive Assistant, will take place on April 27<sup>th</sup> at 6 pm at the WLS Headquarters. The WLS Annual Meeting has been confirmed for Thursday, November 16<sup>th</sup>. The format will be a breakfast meeting (held prior to the PLDA Meeting); and New York State Librarian Bernie Margolis and New York State Regent Judith Johnson have agreed to participate in a panel discussion on the future of libraries.

Dr. Kirchner has been responding to a number of data requests from the WLS Central Library Study Committee and Strategic Working Group as well as the PLDA Finance and eContent

Committees. He also attended the Scarsdale Rotary and talked about the WLS resources that serve the business community.

### **PLDA LIAISON'S REPORT**

Ms. Reznick noted that the April PLDA meeting was held following the Celebrating Libraries Breakfast. Since there was no quorum, no action was taken. The Central Library Study Committee has asked to meet with PLDA prior to their May 18<sup>th</sup> meeting; and the suggested revisions to the Minimum Standards for Public Libraries, which will be on the agenda at the May meeting of the Public Library System Directors Organization (PULISDO), were discussed.

### **ADJOURNMENT**

Having completed its agenda, the Board adjourned its meeting at 6:37 p.m. on a motion by Dr. Jacknis and seconded by Ms. Scherer. The motion passed unanimously.

Respectfully submitted,

A handwritten signature in blue ink that reads "Sean Ryan" with a small "SR" monogram at the end.

Sean Ryan  
Secretary

**Subject:** Board Meeting Participation via Video Conference

**Application:** WLS Trustees

The participation of Board members in the Board and committee meetings of the Westchester Library System (WLS) is necessary for the effective operation of WLS on behalf of the residents of Westchester County and its libraries. However, the Board members are not always available to be physically present at Board meetings. The New York State Open Meetings Law allows for remote participation and voting in Board meetings if certain requirements are met.

This policy describes the requirements that bring WLS into compliance with New York State law and also reflect WLS's desired use of remote participation.

Any Board member wishing to participate remotely must follow these rules:

1. The option to participate remotely is only available to a Board member when she/he is not physically present in Westchester County at the time of the meeting or when she/he is not ambulatory.
2. In order to comply with public notice requirements, the Board member needs to notify the Board President and the Executive Director of intent to participate remotely along with address information of the video conference location at least eight (8) days before the relevant Board or committee meeting, unless such advanced notice is impracticable.
3. The member must use video and audio of high quality on a broadband connection that has no obvious latency.
4. The Board member must use software for this purpose that is approved by WLS IT for its quality and to ensure that participation in closed sessions will be secure from outside observation.
5. The Board member must be willing to let members of the public join with her/him at the remote site as this address will be published in the official notice of the meeting and to ensure that the remote location is open and accessible to the public.

All Board members attending meetings by video conferencing shall be entitled to vote as if they were personally and physically present at the meeting site.

In addition, sufficient security and identification procedures shall be employed, either at the outset of any meeting or at any time during the meeting as appropriate, to ensure that any and all members attending for discussion or voting purposes are in fact an authorized member with the right to speak and vote.

*Last Approved: [Date]*



***FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2016 AND 2015***

DRAFT

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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of Westchester Library System which comprise the statements of financial position as of December 31, 2016 and 2015, 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, 2016 and 2015, 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April XX, 2017 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

April XX, 2017

WESTCHESTER LIBRARY SYSTEM  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2016	2015
Cash and cash equivalents	\$ 3,691,561	\$ 3,959,925
Grants receivable	280,522	337,244
Accounts and other receivables	72,116	70,252
Prepaid expenses	701,656	451,403
Computer inventory	31,090	31,796
Property and equipment, net	881,548	294,089
Security deposits		35,737
<b>Total assets</b>	<b>\$ 5,658,493</b>	<b>\$ 5,180,446</b>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 470,535	\$ 421,624
Deferred revenue	646,284	651,749
Deferred rent	146,026	
Post-retirement benefits payable	4,023,673	4,116,348
<b>Total liabilities</b>	<b>5,286,518</b>	<b>5,189,721</b>
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Undesignated	3,711,655	3,511,975
Accumulated post-retirement benefits	(4,023,673)	(4,116,348)
Board designated	487,853	487,361
<b>Total unrestricted</b>	175,835	(117,012)
Temporarily restricted	196,140	107,737
<b>Total net assets</b>	<b>371,975</b>	<b>(9,275)</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,658,493</b>	<b>\$ 5,180,446</b>

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



WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF ACTIVITIES

	Year ended December 31, 2016		Year ended December 31, 2015	
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted
Operating support and revenues:				
Support and revenues:				
Governmental support:				
State grants	\$ 2,223,529	\$ 215,095	\$ 2,072,095	\$ 206,797
County grants	1,000,000	17,460	1,000,000	17,460
Federal grants		166,414		171,563
Total governmental support	3,223,529	398,969	3,072,095	395,820
Private support:				
Contributions	4,014	234,618	60,109	95,547
Special events, net of direct expenses of \$15,733 and \$18,059 for 2016 and 2015, respectively	(1,592)	(1,592)	(1,104)	(1,104)
Total private support	2,422	234,618	59,005	95,547
Total governmental and private support	3,225,951	633,587	3,131,100	491,367
Revenues:				
Member technology fees	2,727,764		2,716,797	
Interest income	6,854		3,750	
Realized gain on disposal of equipment			5,669	
Other revenue	42,961		42,715	
Total revenues	2,777,579		2,768,931	
Net assets released from restrictions	545,184	(545,184)	512,389	(512,389)
Total operating support and revenues	6,548,714	88,403	6,412,420	(21,022)
Operating expenses:				
Program services:				
Technology	2,557,599		2,544,650	
Public service	2,612,132		2,623,278	
Total program services	5,169,731		5,167,928	
Supporting services:				
Management and general	1,158,169		985,897	
Fundraising	159,055		155,897	
Total supporting services	1,317,224		1,141,794	
Total operating expenses	6,486,955		6,309,722	
Change in net assets before changes in post-retirement benefit obligation	61,759	88,403	102,698	(21,022)
Changes in post-retirement benefit obligation other than periodic costs	231,088	(231,088)	(229,131)	(229,131)
Change in net assets	292,847	88,403	(126,433)	(21,022)
Net assets, beginning of year	(117,012)	107,737	9,421	128,759
Net assets, end of year	\$ 175,835	\$ 196,140	\$ (117,012)	\$ 107,737

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

WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2016	2015
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 381,250	\$ (147,455)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	115,311	145,477
Realized gain on disposal of equipment		(5,669)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	56,722	249,029
Accounts and other receivables	(1,864)	19,133
Prepaid expenses	(250,253)	(88,811)
Computer inventory	706	(28,728)
Security deposits	35,737	
Increase (decrease) in:		
Accounts payable	48,911	(34,089)
Deferred revenue	(5,465)	134,264
Deferred rent	146,026	
Post retirement benefits payable	(92,675)	293,990
Net cash provided by operating activities	<u>434,406</u>	<u>537,141</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	<u>(702,770)</u>	<u>(85,907)</u>
Net cash used in investing activities	<u>(702,770)</u>	<u>(85,907)</u>
<b>Cash flows from financing activities:</b>		
Payments of capital lease obligation		<u>(7,197)</u>
Net cash used in financing activities		<u>(7,197)</u>
Net increase (decrease) in cash and cash equivalents	(268,364)	444,037
Cash and cash equivalents, beginning of year	<u>3,959,925</u>	<u>3,515,888</u>
Cash and cash equivalents, end of year	<u>\$ 3,691,561</u>	<u>\$ 3,959,925</u>

Supplemental Cash Flow Information

<b>Cash paid during the year for:</b>		
Interest	<u>\$</u>	<u>\$ 445</u>

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

WESTCHESTER LIBRARY SYSTEM  
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2016 and 2015

	Program services				
	Technology		Public service		Total
	2016	2015	2016	2015	
Salaries	\$ 859,281	\$ 799,123	\$ 960,058	\$ 969,910	\$ 1,819,339
Fringe benefits	315,050	334,231	348,351	367,020	663,401
	<u>1,174,331</u>	<u>1,133,354</u>	<u>1,308,409</u>	<u>1,336,930</u>	<u>2,482,740</u>
Total salaries and related expenses					2,470,284
Professional fees	5,355	4,469	515	1,328	5,870
Equipment	113,435	136,928	1,450	5,270	114,885
Books, film, etc.	129,828	156,975	129,828	112,054	259,656
Periodicals	11,125	11,125	11,125	20,093	22,250
Rent and utilities	101,525	94,800	140,983	133,700	242,508
Repairs and maintenance	347,733	347,371	5,383	302	353,116
Supplies	5,342	3,931	18,217	22,608	23,559
Telephone and internet	304,434	287,287	292	262	304,726
Printing and postage	863	3,852	26,461	29,715	27,324
Database	201,360	219,246	261,129	210,242	462,489
Professional development	2,899	1,570	52,650	35,392	55,549
Travel	8,498	8,430	9,113	16,591	17,611
Memberships	646	655	603	800	1,249
Contracts processing	38,317	4,475	271,887	323,954	310,204
Delivery service	615	11,429	370,096	371,033	370,711
Insurance	8,673				8,673
Interest					
Miscellaneous	2,600	1,924	3,991	3,004	6,591
Depreciation	<u>100,020</u>	<u>127,954</u>			<u>100,020</u>
Total operating expenses	<u>\$ 2,557,599</u>	<u>\$ 2,544,650</u>	<u>\$ 2,612,132</u>	<u>\$ 2,623,278</u>	<u>\$ 5,169,731</u>
					<u>\$ 5,167,928</u>

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



WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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 41 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, 2016 or 2015.

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, 2016 and 2015

1. Summary of significant accounting policies (continued)

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Computer inventory

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

Prepaid expenses

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

Property and equipment

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

Furniture and equipment	3 - 5 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 income as incurred; replacements and betterments in excess of \$5,000 that extend the useful lives, are capitalized.

Income taxes

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

Uncertain tax positions

As of December 31, 2016, management believes that, based on evaluation of the Organization's tax positions, any liability as a result of uncertain tax positions would not be material. Management continually evaluates expiring statutes of limitations, changes in tax law, and new authoritative rulings to assist in evaluating the Organization's tax positions. Accrued interest and penalties associated with uncertain tax positions, if any, would be recognized as part of the income tax provision. Income tax returns are filed in the U.S. federal jurisdiction and state jurisdictions. U.S. federal and state income tax returns prior to fiscal year 2013 are closed.

Functional allocation of expenses

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

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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, 2016 and 2015, 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 2015 financial statements to conform to the 2016 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 accounts and other receivables are limited due to the number of libraries comprising the Organization's member base and the generally short payment terms. Credit risk with respect to grants receivable are limited due to the fact that grants are received from governmental organizations.

3. Significant source of support

During the years ended December 31, 2016 and 2015, the Organization received approximately 37% and 36%, 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.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

4. Cash

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

	December 31,	
	2016	2015
Interest bearing accounts	\$ 3,691,361	\$ 3,959,725
Non-interest bearing accounts	200	200
	\$ 3,691,561	\$ 3,959,925

5. Grants receivable

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

	December 31,	
	2016	2015
Institute of Museum and Library Services	\$ 30,522	\$ 85,244
Westchester County	250,000	250,000
Other		2,000
	\$ 280,522	\$ 337,244

6. Property and equipment

Property and equipment consists of the following:

	December 31,	
	2016	2015
Furniture and equipment	\$ 1,314,020	\$ 3,036,257
Leasehold improvements	99,857	143,984
	1,413,877	3,180,241
Less accumulated depreciation	532,329	2,886,152
	\$ 881,548	\$ 294,089

Depreciation expense for the year ended December 31, 2016 and 2015 was \$115,311 and \$145,477, respectively. During the year ended December 31, 2016, \$2,454,120 of fully depreciated furniture and equipment and leasehold improvements were written off.

7. Deferred rent

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



WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

8. Post-retirement benefits

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

The accumulated post-retirement benefit obligation is calculated using discount rates of 4.09% and 3.79% for the years ended December 31, 2016 and 2015, respectively.

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

	December 31,	
	2016	2015
Changes in accumulated post-retirement benefit obligation:		
Accumulated post-retirement benefit obligation at January 1	\$ 4,116,348	\$ 3,822,358
Service cost	74,071	71,787
Interest cost	162,353	159,421
Plan participant contributions	17,870	34,809
Medicare Part D subsidy received		567
Actuarial (gain) loss	(94,247)	283,957
Benefits paid	(252,722)	(256,551)
Accumulated post-retirement benefit obligation, December 31	<u>\$ 4,023,673</u>	<u>\$ 4,116,348</u>
Change in plan assets:		
Fair value of plan assets, January 1	\$	\$
Employer contributions	217,293	205,232
Employee contributions	17,870	34,809
Medicare Part B reimbursement paid to retirees	17,559	15,943
Medicare Part D subsidy received		567
Benefits paid	(252,722)	(256,551)
Fair value of plan assets, December 31	<u>\$</u>	<u>\$</u>
Funded status:		
Unfunded benefit obligation	<u>\$ 4,023,673</u>	<u>\$ 4,116,348</u>
	December 31,	
	2016	2015
Components of net periodic benefit cost:		
Service cost	\$ 74,071	\$ 71,787
Interest cost	162,353	159,421
Amortization of transition obligation		
Amortization of prior service cost		(119,764)
Amortization of actuarial loss	136,841	174,590
	<u>\$ 373,265</u>	<u>\$ 286,034</u>

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

8. Post-retirement benefits (continued)

The following are the actuarial assumptions and effects:

	December 31,	
	2016	2015
Medical trend rate next year	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year ultimate trend rate is achieved	2009	2009
Discount rate used to value end of year accumulated post-retirement benefit obligations	3.92%	4.09%
Discount rate used to value end of year net periodic post-retirement benefit costs	4.09%	3.79%
Effect of a 1% increase in healthcare cost trend rate on:		
a. Interest cost plus service cost	\$ 21,947	\$ 21,707
b. Accumulated post-retirement benefits	276,568	283,872
Effect of a 1% decrease in health:		
a. Interest cost plus service cost	(16,569)	(16,379)
b. Accumulated post-retirements benefits	(217,788)	(114,425)

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

Year ending December 31:	
2017	\$ 229,283
2018	225,806
2019	218,852
2020	215,486
2021	211,648
2022 - 2026	1,117,110

9. Commitments and contingencies

Office lease

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

Year ending June 30:	
2017	\$ 144,524
2018	292,626
2019	299,784
2020	306,942
2021	314,100
Thereafter	1,854,605
	\$ 3,212,581

The Organization's rent expense, including escalation charges, for the years ended December 31, 2016 and 2015 was \$299,011 and \$270,833, respectively.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

9. Commitments and contingencies (continued)

Copier lease

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 June 30:	
2017	\$ 9,120
2018	9,120
2019	9,120
2020	9,120
2021	3,800
	<hr/>
	\$ 40,280

10. Government grants and contracts

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

11. Letter of credit and line of credit

During the years ended December 31, 2016 and 2015, the Organization had an Irrevocable Stand-by Letter of Credit with a financing institution in the amount of \$4,500,000 and \$5,000,000. **The Irrevocable Stand-by Letter of Credit expires on March 23, 2017.** 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, 2016 and 2015.

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 4.25%. There were no borrowings during the years and no amounts were outstanding at both December 31, 2016 and 2015.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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

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

	December 31,	
	2016	2015
State Correction Aid	\$ 38,533	\$ 35,091
Coordinated Outreach Services Program	14,371	27,684
County Correctional Facilities Library Aid	29,554	27,258
Maurice J. Freedman Scholarship Fund		6,283
Gates Staying Connected Training Program	5,094	5,094
Bruni Verges Memorial Fund	4,231	4,231
People and Stories	2,096	2,096
Battle of the Books	1,491	
MiniGrants	21,568	
TASC Connect	5,000	
Patron Stories	10,852	
Community dialogue on criminal justice issues	40,000	
Creative aging programs	23,350	
	<u>\$ 196,140</u>	<u>\$ 107,737</u>

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

	December 31,	
	2016	2015
Coordinated Outreach Services Program	\$ 167,058	\$ 159,689
IMLS Creative Aging	166,414	171,563
State Correction Aid	27,325	39,665
BTOP	32,720	35,797
AARP Foundation		25,000
LIU Certificate	40,984	21,750
Westchester Senior Out Speaking	17,460	17,460
Learning Ambassadors	7,414	13,000
Family Literacy	12,558	11,868
Adult Literacy	8,073	7,629
County Corrections Aid	7,656	6,919
NYS/WSOS		1,250
TERC		799
Creative aging programs	1,650	
Battle of the Books	1,509	
MiniGrants	23,932	
TASC Connect	10,000	
Patron Stories	14,148	
Maurice J. Freedman Scholarship Fund	6,283	
	<u>\$ 545,184</u>	<u>\$ 512,389</u>

WESTCHESTER LIBRARY SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and 2015

13. 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:

	2016 Unrestricted	2015 Unrestricted
Board-designated funds, beginning of year	\$ 487,361	\$ 487,040
Interest income	492	321
Board-designated funds, end of year	\$ 487,853	\$ 487,361

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

14. Pass-through grants

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

	December 31,	
	2016	2015
Central Library Aid	\$ 66,209	\$ 52,095
Local Library Services Aid	279,542	241,185
Westchester Community College	2,943	328,602
Grants in Aid	179,699	97,672
Member Library	24,636	100,765
	\$ 553,029	\$ 820,319

15. Subsequent events

Subsequent events have been evaluated through April XX, 2017, which is the date the financial statements were available to be issued.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Westchester Library System, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April XX, 2017.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Westchester Library System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Westchester Library System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Westchester Library System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***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

April XX, 2017

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*REPORT TO THOSE  
CHARGED WITH GOVERNANCE  
FOR THE YEAR ENDED DECEMBER 31, 2016*



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

We have audited the financial statements of Westchester Library Systems for the year ended December 31, 2016, and have issued our report thereon dated April XX, 2017. 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, 2017

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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 an independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
- Issue this Audit Results Summary to management and those charged with governance

### **Areas of Audit Emphasis**

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

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

## REQUIRED COMMUNICATIONS

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

<u>Area</u>	<u>Comments</u>
<p><b>1. Auditors' Responsibilities under U.S. Generally Accepted Auditing Standards</b></p> <p>As stated in our engagement letter dated January 31, 2017, 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, 2016 and for the year then ended. Our audit opinion will be dated <b>April XX, 2017</b>.</p>
<p><b>2. Planned Scope and Timing of the Audit</b></p>	<p>We performed the audit according to the planned scope and timing previously communicated to you.</p>

<b>REQUIRED COMMUNICATIONS (continued)</b>
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<u>Area</u>	<u>Comments</u>
<p><b>3. Qualitative Aspects of the Organization's Significant Accounting Practices – Significant Accounting Policies</b></p> <p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Westchester Library System are described in Note 1 to the financial statements.</p>	<p><b>New Accounting Policies</b> There were no new accounting policies affecting the December 31, 2016 financial statements.</p> <p><b>Lack of Authoritative Guidance</b> We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus.</p> <p><b>Period of Recognition</b> Except for the adjusting journal entries listed in the corrected misstatements section, there are no other significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.</p> <p><b>Significant Unusual</b> There are no significant unusual or nonrecurring accounting transactions.</p>
<p><b>4. Qualitative Aspects of the Organization's Significant Accounting Practices – Significant Accounting Estimates</b></p> <p>Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.</p>	<p>The most significant estimates affecting the financial statements are:</p> <ul style="list-style-type: none"><li>• Actuarial assumptions which determine the gain recognized for post-retirement benefits</li><li>• Depreciation expense</li><li>• Functional expenses</li></ul>
<p><b>5. Qualitative Aspects of the Organization's Significant Accounting Practices – Financial Statement Disclosures</b></p> <p>Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to the financial statement users.</p>	<p>The disclosures in the financial statements are neutral, consistent, and clear.</p>

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

<b>REQUIRED COMMUNICATIONS (continued)</b>
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<u>Area</u>	<u>Comments</u>
<b>10. Disagreements with Management</b>  For purposes of this letter, professional standards define a disagreement with management as a financial, accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report.	No such disagreements arose during the course of our audit.
<b>11. Management Representations</b>	We have requested certain representations from management that are included in the management representation letter dated April XX, 2017.
<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.

**REQUIRED COMMUNICATIONS (continued)**

<u>Area</u>	<u>Comments</u>
<b>15. Independence</b>  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, 2016, 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**

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 regularly monitor the financial condition of the financial institutions in which it maintains its bank accounts.

### **Inventory**

While the Organization has an inventory management system in place, the system does not appear to be used to its fullest abilities. During our audit procedures, we requested reports reflecting inventory on hand and this report was not available for review. We recommend that all transactions be posted using the inventory system to allow for a perpetual inventory report to be matched to actual inventory on hand. With the increased activity in this department over the last few years, tracking and maintaining the inventory system would be helpful to prevent accounting errors and possible misappropriation.

### **Revenue Recognition**

During our review of deferred revenue and contribution revenue, we noted few instances where the Organization did not record contributions received as revenue in the period received. Accounting pronouncements require unconditional promises to give to be recognized in the financial statements in the period they are received, even if the donor has restricted their use and the restriction will be met in a future reporting period. We recommend the Organization refine its revenue recognition practices as it relates to contributions and deferred revenue.

### **Improvement of Adjusting Journal Entries Documentation**

In performing our audit procedures, we reviewed the support available for certain journal entries posted during the year. While the entries were properly supported, it was noted that there was no documentation reflecting the preparer or approval of the journal entries. We recommend that a process be put in place to include formal documentation of the name and date by both the preparer and reviewer. (This process would be similar to the process in place for the posting and approval of vendor invoices.)

### **Grant Expenditures**

This is the last year of the IMLS grant, which required audit procedures in compliance with Government Auditing Standards (Yellow Book Audit). This required the testing of expenditures, receipts and reporting relating to the IMLS Grant. In performing required audit procedures, we noted that some expenses paid during 2016 were for services performed during the prior year and they were not recorded and reported to the Funding Agency during the prior year. We recommend that management reviews its internal controls to ensure that expenses are recorded in the proper period.

### **Contract with Westchester Community College**

During our audit procedures, it was noted that while the contract signed with Westchester Community College (WCC) refers to services to be provided by the Organization in exchange for compensation to the Organization and proof of insurance coverage. The intent of the agreement is to allow the libraries to offer service free of charge and the grant was structured so that WCC was charged and paid rent in an amount equal to the cost of tuition. We recommend that the Organization analyze all contracts prior to their execution to determine appropriate language that properly defines the intent of the agreement.

## CORRECTED MISSTATEMENTS

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>			
To recognize Dreyfus gift(TASC)			
2500	Deferred Income	5,000.00	
4880	Restricted contributions		5,000.00
<b>Total</b>		<b><u>5,000.00</u></b>	<b><u>5,000.00</u></b>
<b>Adjusting Journal Entries JE # 2</b>			
To adjust contributions revenue to proper amount. 2016 Mini-Grant revenue			
2500	Deferred Income	13,500.00	
4880	Restricted contributions		13,500.00
<b>Total</b>		<b><u>13,500.00</u></b>	<b><u>13,500.00</u></b>
<b>Adjusting Journal Entries JE # 3</b>			
To adjust contributions revenue to proper amount as of 12/31/16			
2500	Deferred Income	89,500.00	
4880	Restricted contributions		89,500.00
<b>Total</b>		<b><u>89,500.00</u></b>	<b><u>89,500.00</u></b>
<b>Adjusting Journal Entries JE # 4</b>			
To adjust prepaid portion of 3yr prod. system support for Nutanix equipment as of 12/31/16			
1300	Prepaid Expenses	44,728.00	
7250	Computer Maintenance		44,728.00
<b>Total</b>		<b><u>44,728.00</u></b>	<b><u>44,728.00</u></b>
<b>Adjusting Journal Entries JE # 5</b>			
To adjust depreciation expenses for assets purchased during 2013			
9400	Depreciation	12,049.00	
1610	Accum Dep - Furniture & Equipment		12,049.00
<b>Total</b>		<b><u>12,049.00</u></b>	<b><u>12,049.00</u></b>
<b>Adjusting Journal Entries JE # 6</b>			
To adjust fixed assets and accumulated depreciation to correct balance as of 12/31/16			
1610	Accum Dep - Furniture & Equipment	39,085.00	
1515	Furniture and Equipment		15,014.00
9400	Depreciation		24,071.00
<b>Total</b>		<b><u>39,085.00</u></b>	<b><u>39,085.00</u></b>

**MANAGEMENT REPRESENTATION LETTER**

**MANAGEMENT REPRESENTATION LETTER (continued)**

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