

TOMPKINS COUNTY PUBLIC LIBRARY

Ithaca, New York

FINANCIAL REPORT

December 31, 2017 and 2016



TOMPKINS COUNTY PUBLIC LIBRARY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Tompkins County Public Library
Ithaca, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, and each major fund of the Tompkins County Public Library (the Library), a component unit of the County of Tompkins, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Tompkins County Public Library Foundation, Inc. (the Foundation), which represent 100% of the assets, net position, and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, are based solely on the report of the other auditors. We conducted our audit 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit 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 Library'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 Library'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 opinions.

INSERO & Co. CPAs, LLP

Rochester | Ithaca | Corning | Cortland | Watkins Glen | (800) 232-9547 | www.inserocpa.com

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, and each major fund of the Tompkins County Public Library, as of December 2017 and 2016, and the respective changes in financial position thereof, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparison information, Schedules of Library's Contributions - NYSLRS Pension Plan, Schedules of Library's Proportionate Share of Net Pension Liability, Schedule of Funding Progress, and notes to required supplementary information on pages 3-3i, and 31-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2018, on our consideration of the Library'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 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 the Library's internal control over financial reporting and compliance.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
May 14, 2018

TOMPKINS COUNTY PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

The following is a discussion and analysis of Tompkins County Public Library's (the Library) financial performance for the years ended December 31, 2017 and 2016. This section is a summary of the Library's financial activities based on currently known facts, decisions or conditions. It is also based on both the Government-wide and Fund-based Financial Statements. The results of the current year are discussed in comparison with the two prior years, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the Library's financial statements, which immediately follow this section.

COMPONENT UNIT

The Library follows Governmental Accounting Standards Board (GASB) Statement No. 39, "Determining Whether Certain Organization are Component Units" and Statement No. 61, "The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34," which provide guidance to determine whether certain organizations for which the Library is not financially accountable should be reported as component units based on the significance of their relationship with the Library. The decision to include potential component units in the Library's reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on these criteria, the Library includes one separate legal entity in its report - the Tompkins County Public Library Foundation, Inc. Although legally separate, this organization is reported as a discretely presented component unit. If you need information about the separately issued financial statements, contact the Tompkins County Public Library Foundation, Inc. in Ithaca, New York.

FINANCIAL HIGHLIGHTS

- At December 31, 2017, government-wide revenues exceeded expenses by \$554,814 compared to expenses exceeding revenues by \$484,340 at December 31, 2016.
- Net (deficit) for the year ended December 31, 2017 was \$(2,768,584), reflecting an increase in net position from a net (deficit) of \$(3,323,398) at December 31, 2016. The Library's net (deficit) for the year ended December 31, 2016 increased by \$(484,340), from \$(2,839,058) at December 31, 2015, to \$(3,323,398).
- Capital Assets increased \$939,382 based on \$1,285,765 in capital additions primarily related to the renovation project, partially offset by depreciation expense of \$346,383.
- Total fund balance of \$578,094 in the General Fund showed an increase of \$63,423 in 2017, from \$514,671 in 2016. Of the \$578,094 fund balance, \$75,156 is in the form of nonspendable resources, representing prepaid expenses, \$150,072 is assigned for next year's budget, leaving a net unassigned fund balance of \$352,866 or approximately 11.6% of appropriations budgeted for 2018.

TOMPKINS COUNTY PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: MD&A (this section) and the basic financial statements and supplementary information. The basic financial statements present different views of the Library.

- The Statement of Net Position and Statement of Activities columns shown in the financial statements provide both short-term and long-term information about the Library's overall financial status.
- The Governmental Fund type columns are fund financial statements with a short-term or current focus. They do not contain balances of capital assets or long-term liabilities and report only transactions involving these long-term assets and liabilities that occurred during the reporting period.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data, as well as budgetary comparison information for the General Fund.

Statement of Net Position and Statement of Activities Columns

The Statement of Net Position and Statement of Activities columns in the basic financial statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Library's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

These two columns in the basic financial statements report the Library's net position and how it has changed. Net position - the difference between the Library's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the Library's financial health or position. Over time, increases or decreases in the Library's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

Governmental Fund Type Columns

The Governmental Fund type columns are accounting devices the Library uses to keep track of specific sources of funding and spending. The Library's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Fund columns provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. Because this information does not encompass the additional long-term focus of the Statement of Net Position and Statement of Activities columns, additional information in the notes to the financial statements explains the relationship (or differences) between them.

TOMPKINS COUNTY PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the Library's Governmental Activities.

Figure 1

<i>Condensed Statement of Net Position</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
<i>Current assets</i>	\$ 520,531	\$ 675,049	\$ 846,934
<i>Capital assets, net</i>	860,593	921,210	1,860,592
<i>Total Assets</i>	1,381,124	1,596,259	2,707,526
<i>Pensions</i>	270,926	1,210,320	582,664
<i>Total Deferred Outflows of Resources</i>	270,926	1,210,320	582,664
<i>Current liabilities</i>	115,949	160,378	149,488
<i>Noncurrent liabilities</i>	4,352,864	5,801,942	5,778,709
<i>Total Liabilities</i>	4,468,813	5,962,320	5,928,197
<i>Pensions</i>	22,295	167,657	130,577
<i>Total Deferred Inflows of Resources</i>	22,295	167,657	130,577
<i>Net investment in capital assets</i>	860,593	921,210	1,890,481
<i>Restricted</i>	47,021	-	119,352
<i>Unrestricted</i>	(3,746,672)	(4,244,608)	(4,778,417)
<i>Total Net Position</i>	\$ (2,839,058)	\$ (3,323,398)	\$ (2,768,584)

Current assets increased primarily due to increases in cash accounts related to monies received to fund the renovation project. Net capital assets and net investment in capital assets increased because capital outlay exceeded depreciation expense. The decreases in deferred outflows of resources, deferred inflows of resources, and non-current liabilities are primarily due to reporting information about the Library's share of the New York State and Local Retirement System pension obligations and activity for the year. The net effect of the Library's activities resulted in changes in net position of \$554,814 and \$(484,340) at December 31, 2017 and 2016, respectively. These changes were primarily the result of the GASB Statement No. 45 requirement to record the increase in other postemployment benefits liability and expense of \$449,103 and \$478,495 for December 31, 2017 and 2016, respectively. This is also the cause of the deficit of unrestricted net position of \$(4,778,417). Because there is no mechanism for New York State governments to fund this liability, the unrestricted net (deficit) is expected to continue in the immediate future.

TOMPKINS COUNTY PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

Our analysis in *Figure 2* considers the operations of the Library's activities.

Figure 2

Changes in Net Position	Governmental Activities and Total Library		
	2015	2016	2017
Revenue			
<i>State sources</i>	\$ 28,240	\$ 33,457	\$ 354,223
<i>Tompkins County support</i>	3,087,217	3,233,201	3,403,415
<i>City of Ithaca support</i>	15,301	15,086	15,237
<i>Town of Ithaca</i>	15,000	10,000	10,000
<i>CLD Grant</i>	94,183	98,245	98,334
<i>Friends of the Library</i>	285,000	340,000	295,000
<i>Library Foundation</i>	142,670	158,883	881,203
<i>Library charges</i>	82,451	67,442	61,918
<i>Other revenue</i>	113,665	22,295	21,468
Total Revenue	\$ 3,863,727	\$ 3,978,609	\$ 5,140,798
Expenses			
<i>Personnel services</i>	\$ 3,371,837	\$ 3,617,655	\$ 3,694,134
<i>Insurance, repairs, and maintenance</i>	69,847	79,171	78,122
<i>Supplies and materials, periodicals, and equipment</i>	62,764	83,500	71,902
<i>Telephone, postage, and printing</i>	57,235	52,084	62,415
<i>Finger Lakes Library System services</i>	65,099	67,100	67,100
<i>Professional dues and fees</i>	276,900	230,420	247,179
<i>Depreciation</i>	303,972	306,750	346,383
<i>Other expenses</i>	108,723	26,269	18,749
Total Expenses	\$ 4,316,377	\$ 4,462,949	\$ 4,585,984
CHANGE IN NET POSITION	\$ (452,650)	\$ (484,340)	\$ 554,814

Total revenues for the Library's Governmental Activities increased in 2017 by \$1,162,189, or 29.2%. State sources increased due to additional expenditures incurred for state grants related to the renovation project and corresponding recognition of revenues received. Tompkins County support increased primarily due to an increase in the county's annual appropriation. Revenues from the Library Foundation increased based on receipt of additional \$750,000 to partially fund the Library's renovation project.

Total expenses for the Library's Governmental Activities increased \$123,035, or 2.8%. Personnel services increased based on salary increases and hourly employee's time earned. Professional dues and fees slightly increased as a result of increases in IT consulting expenses.

TOMPKINS COUNTY PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

Figures 3, 4, and 5 present sources of revenue for years ended December 31, 2017, 2016, and 2015.

Figure 3

Sources of Revenue for 2017

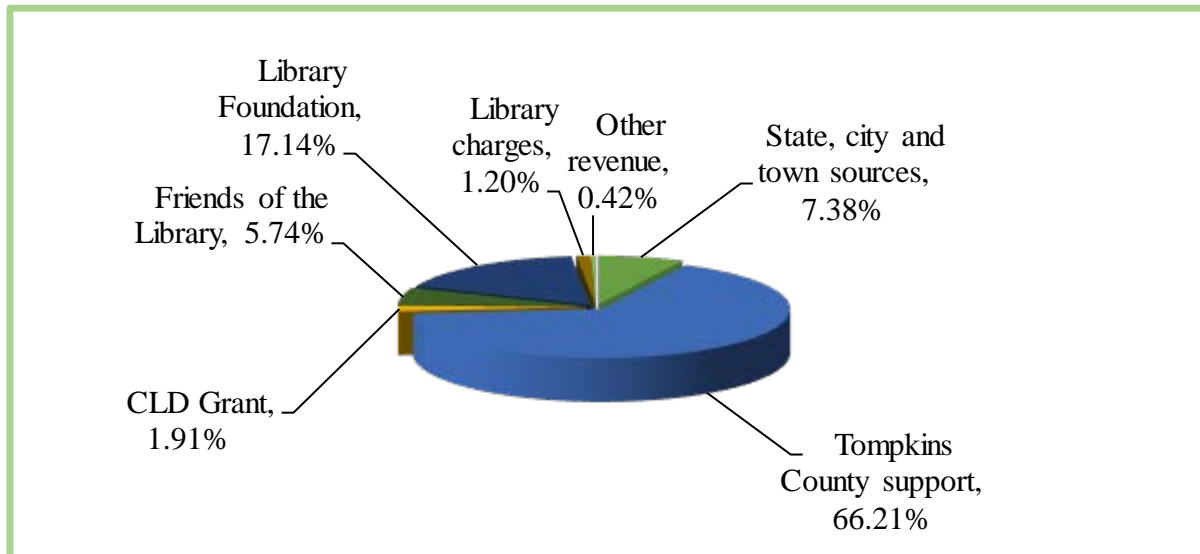
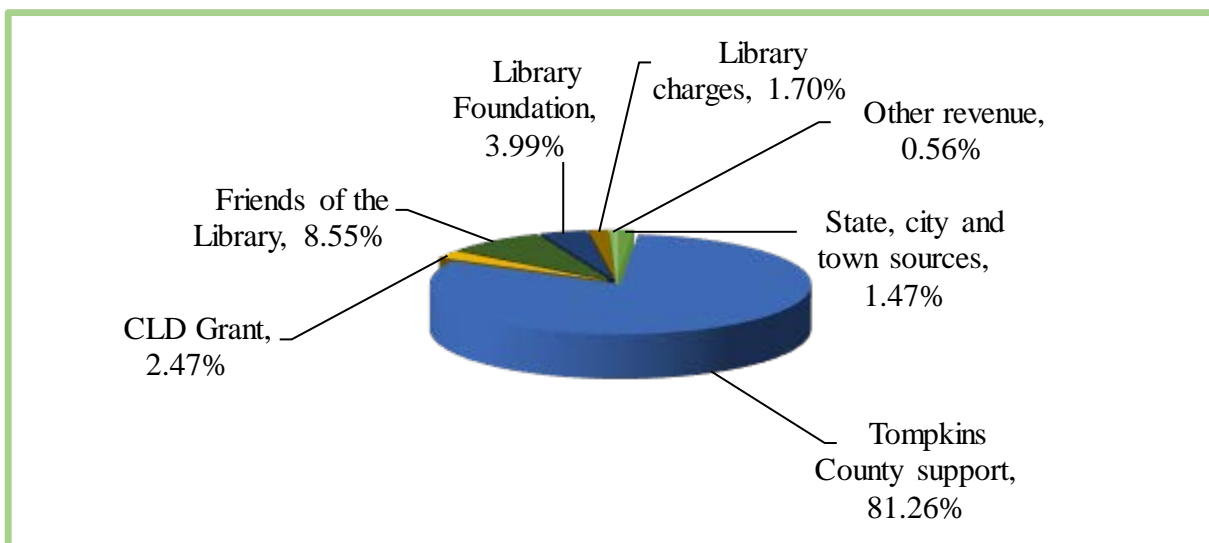


Figure 4

Sources of Revenue for 2016

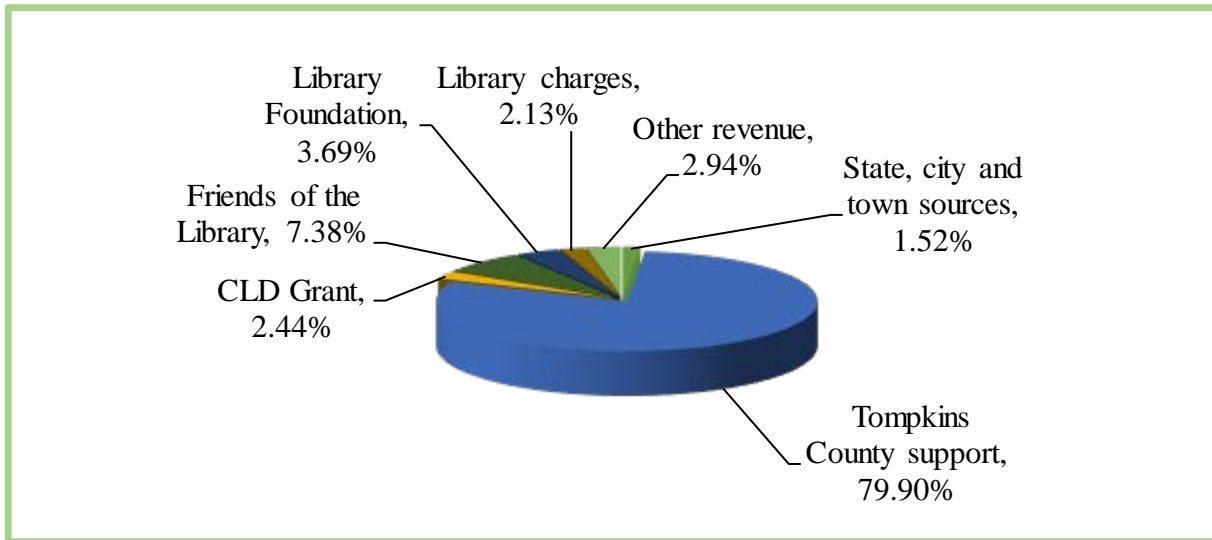


TOMPKINS COUNTY PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

Figure 5

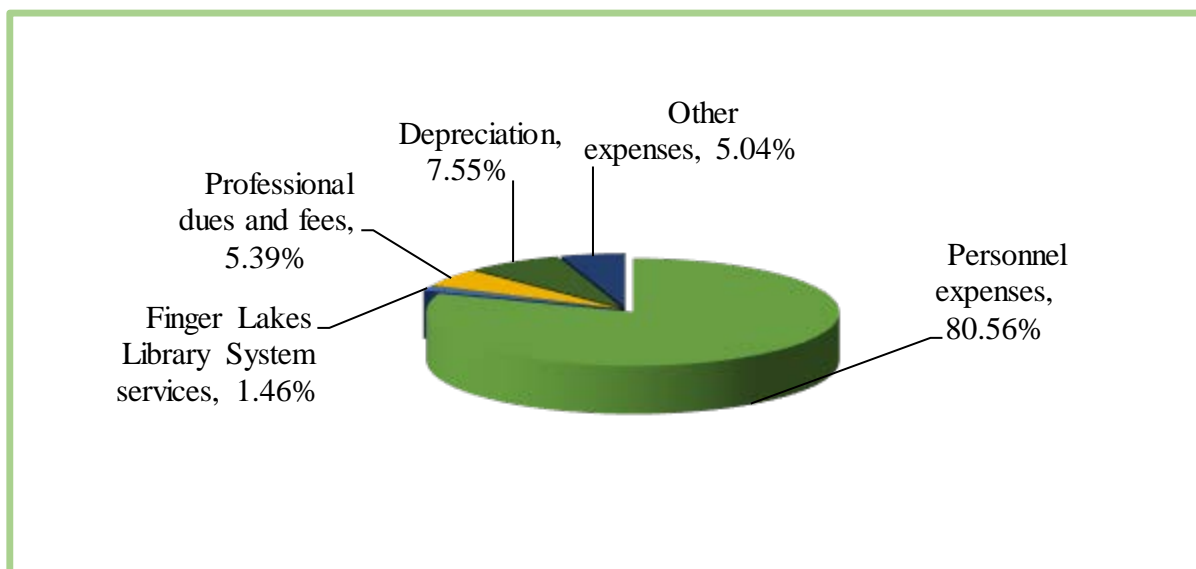
Sources of Revenue for 2015



Figures 6, 7, and 8 present the expenses of the Library for the years ended December 31, 2017, 2016, and 2015.

Figure 6

Expenses 2017



TOMPKINS COUNTY PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

Figure 7

Expenses 2016

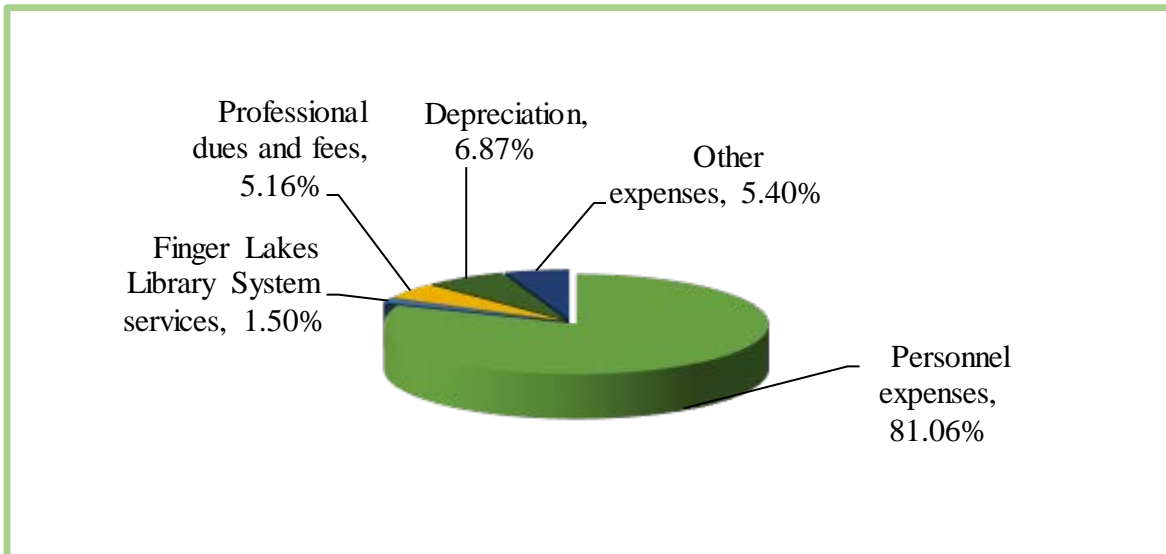
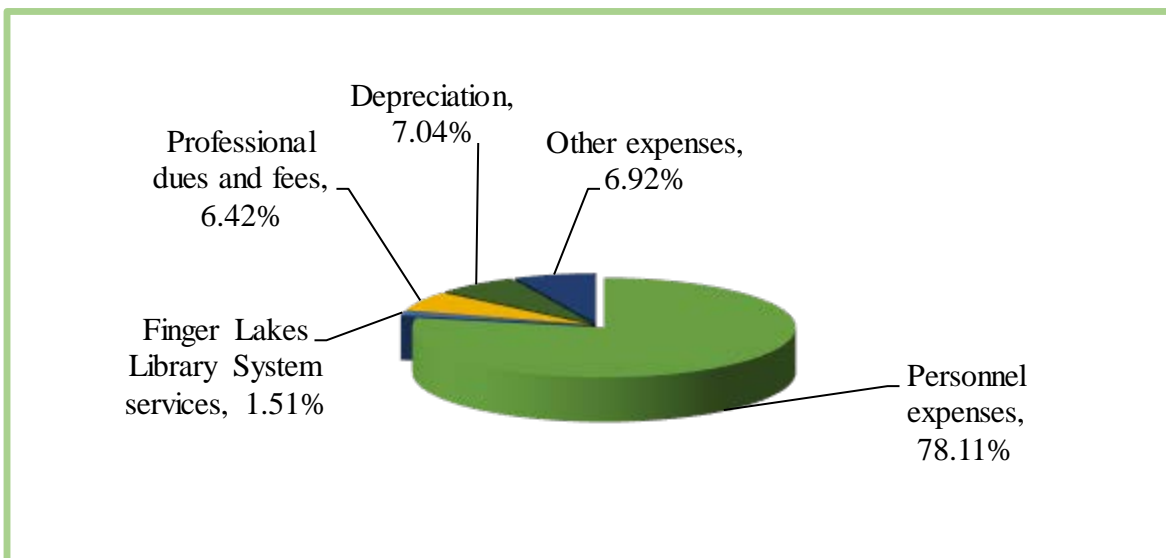


Figure 8

Expenses 2015



TOMPKINS COUNTY PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

FINANCIAL ANALYSIS OF THE LIBRARY'S GENERAL FUND

As the Library completed the year ended December 31, 2017, the General Fund reported a combined fund balance of \$578,094 which is higher than last year's total of \$514,671. Unassigned fund balance was \$352,866 at year end, which is 8.1% of the operating expenditures budgeted for 2018. In 2017, this is within the range of the 5-15% the Government Finance Officer's Association recommends for general-purpose governments, which management believes is appropriate for the Library as well. Unassigned fund balance at December 31, 2016 was \$301,302, which was 7.2% of 2017 budgeted operating expenditures. The increase in unassigned fund balance compared to 2016 is a result of revenues exceeding expenditures during the current year. Nonspendable fund balance was \$75,156 in 2017, as compared to \$65,214 in 2016. The Library's 2015 General Fund combined fund balance increased \$110,089 from \$404,582 to \$514,671.

CAPITAL ASSET ADMINISTRATION

Capital Assets

At the end of December 31, 2017, the Library had invested in various types of equipment and machinery. *Figure 9* shows the amount invested in capital assets, net of accumulated depreciation and shows a net increase of \$939,382, or 101.9%, while in 2016 there was an increase of \$60,617, or 7.0%. There were additions of \$317,164 and \$68,470 in equipment and \$278,090 and \$298,897 to the collection for years ended 2017 and 2016, respectively. There was also an addition in construction-in-progress of \$690,511 in 2017. There were retirements of \$173,753 and \$169,882 in the collection and \$3,905 and \$5,893 retirements of equipment during 2017 and 2016, respectively. Depreciation expense was \$346,383 and \$306,750 for 2017 and 2016, respectively.

Figure 9

<i>Changes in Net Capital Assets, Net</i>	<i>Governmental Activities and Total Library</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
<i>Equipment</i>	\$ 239,841	\$ 251,737	\$ 482,458
<i>Collection</i>	620,752	669,473	687,623
<i>Construction-in-progress</i>			690,511
<i>Total Capital Assets, Net</i>	\$ 860,593	\$ 921,210	\$ 1,860,592

DEBT AND LONG TERM OBLIGATIONS ADMINISTRATION

The Library's other postemployment benefit liability increased by \$499,103 and brought the other postemployment benefit liability to \$4,986,883 as of December 31, 2017 as shown in Figure 10. In addition to the other postemployment benefit liability, the Library has a \$131,633 liability for compensated absences consisting of the earned and unused portion of accrued vacation and compensatory time due to employees; a decrease of \$(13,900) to \$131,633 from \$145,533 at December 31, 2016. Net pension liability - proportionate share decreased in proportion to the net pension liability in the New York State Employees' Retirement System. More detailed information about the Library's liabilities is presented in Notes 5, 6, and 7 to the financial statements.

TOMPKINS COUNTY PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

Figure 10

Major Outstanding Obligations at the Year Ending December 31

<i>Changes in Long-term Liabilities</i>	<i>Governmental Activities</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
<i>Other post-employment benefit liability</i>	\$ 4,009,285	\$ 4,487,780	\$ 4,986,883
<i>Compensated absences</i>	133,881	145,533	131,633
<i>Net pension liability, proportionate share</i>	209,698	1,168,629	660,193
<i>Total Long-term Liabilities</i>	<i>\$ 4,352,864</i>	<i>\$ 5,801,942</i>	<i>\$ 5,778,709</i>

FACTORS BEARING ON THE LIBRARY'S FUTURE

- County funding, the major funding source for the Library, is expected to remain stable in 2019. Tompkins County's continued strong support of the Library over the past several years has enabled the Library to balance its operating budget and restore two librarian positions lost after the economic downturn in 2008. The restoration of these two librarian positions was key to being able to provide professional staffing for the new Teen Center and Learning Lab constructed in 2017 via funding from the 21st Century Library campaign managed by the Tompkins County Public Library Foundation.
- Library Director, Annette Birdsall; appointed in the fall of 2017, in conjunction with the Library Board of Trustees, has established the goal of increasing access for all and strengthening library services. It is anticipated that the Library will be able to accomplish this through improvements in personnel structure, better marketing and outreach, and shifting the Library's commitment to the public from "welcoming" to "belonging." Actions taken include the establishment of a marketing agreement with the Tompkins County Public Foundation, which has allowed additional improvements to the personnel structure.
- Library management continues to monitor state aid closely during this volatile political and economic climate, but is hopeful that aid will be maintained at the current level. The overall loss in aid after sustained years of decreased funding continues to impair services provided to members of the Finger Lakes Library System.
- Income from the Friends of the Library's bi-annual book sales continues to fund the majority of the Library collection and related expenses. Support is expected to remain stable in the near future, but changes in technology and the way people access literary materials may significantly impact book sale revenue in the coming decade.

TOMPKINS COUNTY PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

- Private donor support from donors, foundations and grants channeled through the Tompkins County Public Library Foundation is expected to increase. The Foundation Board of Directors implemented a new personnel structure and method of fundraising which is anticipated to positively impact the ability of the Foundation to fundraise. Foundation funding currently supports the collection and a number of special programmatic initiatives which otherwise would not be possible.
- The Library continues to evaluate and carefully consider staffing. Each position which becomes vacant is reviewed and discussed for possible changes in order to optimize staffing efficiency and workflow to best serve the public.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Library's citizens, customers, investors, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Business Office, Tompkins County Public Library, at 101 East Green Street, Ithaca, NY 14850.

TOMPKINS COUNTY PUBLIC LIBRARY

STATEMENTS OF NET POSITION AS OF DECEMBER 31,

ASSETS	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents - Unrestricted	\$ 632,540	\$ 585,346
Cash and cash equivalents - Restricted	119,352	
Accounts receivable	19,886	24,489
Prepaid expenses	75,156	65,214
Total Current Assets	<u>846,934</u>	<u>675,049</u>
Noncurrent Assets		
Construction-in-process	690,511	
Capital assets, net of accumulated depreciation of \$6,659,673 in 2017 and \$6,490,948 in 2016	<u>1,170,081</u>	<u>921,210</u>
Total Noncurrent Assets	<u>1,860,592</u>	<u>921,210</u>
Total Assets	<u>2,707,526</u>	<u>1,596,259</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	<u>582,664</u>	<u>1,210,320</u>
Total Deferred Outflows of Resources	<u>582,664</u>	<u>1,210,320</u>
LIABILITIES		
Current Liabilities		
Accounts payable	73,268	82,280
Accrued liabilities	76,220	78,098
Total Current Liabilities	<u>149,488</u>	<u>160,378</u>
Noncurrent Liabilities		
Compensated absences	131,633	145,533
Other postemployment benefits liability	4,986,883	4,487,780
Net pension liability - Proportionate share	660,193	1,168,629
Total Noncurrent Liabilities	<u>5,778,709</u>	<u>5,801,942</u>
Total Liabilities	<u>5,928,197</u>	<u>5,962,320</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	<u>130,577</u>	<u>167,657</u>
Total Deferred Inflows of Resources	<u>130,577</u>	<u>167,657</u>
Net Position		
Net investment in capital assets	1,890,481	921,210
Restricted	119,352	
Unrestricted	<u>(4,778,417)</u>	<u>(4,244,608)</u>
Total Net (Deficit)	<u>\$ (2,768,584)</u>	<u>\$ (3,323,398)</u>

See Independent Auditor's Report and Notes to Basic Financial Statements

TOMPKINS COUNTY PUBLIC LIBRARY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants	Capital Grants	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
Culture and recreation	\$ 4,585,984	\$ 61,918	\$ 1,299,774	\$ 354,223	\$ (2,870,069)
Total Functions and Programs	\$ 4,585,984	\$ 61,918	\$ 1,299,774	\$ 354,223	(2,870,069)
GENERAL REVENUES					
County appropriation					3,403,415
Use of money and property					1,271
Gifts and donations					2,400
Miscellaneous					17,797
Total General Revenues					3,424,883
Change in Net Position					554,814
Total Net Position (Deficit) - Beginning of Year					(3,323,398)
Total Net Position (Deficit) - End of Year					\$ (2,768,584)

See Independent Auditor's Report and Notes to Basic Financial Statements

TOMPKINS COUNTY PUBLIC LIBRARY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
FUNCTIONS/PROGRAMS					
Culture and recreation	\$ 4,462,949	\$ 67,442	\$ 622,214	\$ 33,457	\$ (3,739,836)
Total Functions and Programs	\$ 4,462,949	\$ 67,442	\$ 622,214	\$ 33,457	(3,739,836)
GENERAL REVENUES					
County appropriation					3,233,201
Use of money and property					988
Gifts and donations					2,400
Miscellaneous					18,907
Total General Revenues					3,255,496
Change in Net Position					(484,340)
Total Net Position (Deficit) - Beginning of Year					(2,839,058)
Total Net Position (Deficit) - End of Year					\$ (3,323,398)

See Independent Auditor's Report and Notes to Basic Financial Statements

TOMPKINS COUNTY PUBLIC LIBRARY

BALANCE SHEET - GOVERNMENTAL FUNDS AS OF DECEMBER 31,

	2017			2016	
	General Fund	Capital Fund	Total Governmental Funds	General Fund	Total Governmental Funds
ASSETS					
Current Assets					
Cash and cash equivalents - Unrestricted	\$ 632,540	\$	\$ 632,540	\$ 585,346	\$ 585,346
Cash and cash equivalents - Restricted		119,352	119,352		
Accounts receivable	19,886		19,886	24,489	24,489
Prepaid expenses	75,156		75,156	65,214	65,214
Total Current Assets	727,582	119,352	846,934	675,049	675,049
Total Assets	\$ 727,582	\$ 119,352	\$ 846,934	\$ 675,049	\$ 675,049
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 73,268	\$	\$ 73,268	\$ 82,280	\$ 82,280
Accrued liabilities	76,220		76,220	78,098	78,098
Total Current Liabilities	149,488		149,488	160,378	160,378
Total Liabilities	149,488	-	149,488	160,378	160,378
FUND BALANCES					
Nonspendable	75,156		75,156	65,214	65,214
Restricted		119,352	119,352		
Assigned	150,072		150,072	148,155	148,155
Unassigned	352,866		352,866	301,302	301,302
Total Fund Balances	578,094	119,352	697,446	514,671	514,671
Total Liabilities and Fund Balances	\$ 727,582	\$ 119,352	\$ 846,934	\$ 675,049	\$ 675,049

See Independent Auditor's Report and Notes to Basic Financial Statements

TOMPKINS COUNTY PUBLIC LIBRARY

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2017

Fund Balances - Total Governmental Funds **\$ 697,446**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities, are not financial resources and, therefore, are not reported in the funds.

Total historical cost	\$ 8,520,265	
Less accumulated depreciation	<u>(6,659,673)</u>	1,860,592

The Library's proportionate share of the collective net pension liability is not reported in the funds.

ERS net pension liability - Proportionate share	\$ <u>(660,193)</u>	(660,193)
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Deferred outflows of resources represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

ERS deferred outflows - Pension	\$ 582,664	
ERS deferred inflows - Pension	<u>(130,577)</u>	452,087

Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.

Compensated absences	\$ (131,633)	
Other postemployment benefits liability	<u>(4,986,883)</u>	<u>(5,118,516)</u>

Net (Deficit) of Governmental Activities **\$ (2,768,584)**

See Independent Auditor's Report and Notes to Basic Financial Statements

TOMPKINS COUNTY PUBLIC LIBRARY

TOMPKINS COUNTY PUBLIC LIBRARY FOUNDATION, INC. (DISCRETELY PRESENTED COMPONENT UNIT)

STATEMENTS OF FINANCIAL POSITION DECEMBER 31,

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	\$ 812,400	\$ 1,417,886
Due from Tompkins County Public Library	3,487	429
Unconditional promises to give, current portion net of allowance for unfulfilled pledges of \$2,000 and \$9,000, respectively	114,111	332,516
Total Current Assets	929,998	1,750,831
Restricted cash and cash equivalents	37,808	151,431
Fixed assets, net of accumulated depreciation	9,531	
Long-term investments	2,174,657	1,701,552
Long-term unconditional promises to give, net of discount	47,530	103,218
Total Assets	\$ 3,199,524	\$ 3,707,032
LIABILITIES AND NET ASSETS		
Current Liabilities		
Due to Tompkins County Public Library	\$ 19,410	\$ 119,351
Accounts payable and accrued liabilities	16,552	24,725
Total Current Liabilities	35,962	144,076
Net Assets		
Unrestricted:		
Board designated	982,961	982,861
Undesignated	1,411,116	1,269,000
Total Unrestricted	2,394,077	2,251,861
Temporarily restricted	79,559	636,852
Permanently restricted	689,926	674,243
Total Net Assets	3,163,562	3,562,956
Total Liabilities and Net Assets	\$ 3,199,524	\$ 3,707,032

See Independent Auditor's Report and Notes to Financial Statements

TOMPKINS COUNTY PUBLIC LIBRARY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEARS ENDED DECEMBER 31,

	2017			2016	
	General Fund	Capital Fund	Total Governmental Funds	General Fund	Total Governmental Funds
Revenue					
State sources	\$ 31,982	\$ 322,241	\$ 354,223	\$ 33,457	\$ 33,457
Tompkins County	3,403,415		3,403,415	3,233,201	3,233,201
City of Ithaca	15,237		15,237	15,086	15,086
Town of Ithaca	10,000		10,000	10,000	10,000
Central Development Library Grant	98,334		98,334	98,245	98,245
Friends of TCPL	295,000		295,000	340,000	340,000
TCPL Foundation	131,203	750,000	881,203	158,883	158,883
Library charges	61,918		61,918	67,442	67,442
Use of money and property	1,271		1,271	988	988
Other revenue	17,797		17,797	18,907	18,907
Total Revenue	4,066,157	1,072,241	5,138,398	3,976,209	3,976,209
Expenditure/Expenses					
Salaries	2,035,271		2,035,271	1,915,592	1,915,592
Fringe benefits	468,758		468,758	465,702	465,702
Health insurance	622,762		622,762	581,315	581,315
Books	174,734		174,734	183,270	183,270
Periodicals	8,304		8,304	8,289	8,289
AV/CD ROM materials	100,956		100,956	112,434	112,434
Insurance	16,750		16,750	16,262	16,262
Repairs and maintenance	61,372		61,372	62,909	62,909
Supplies and materials	47,859		47,859	50,576	50,576
Telephone	20,232		20,232	20,381	20,381
Postage	1,511		1,511	865	865
Finger Lakes Library System services	67,100		67,100	67,100	67,100
Professional fees	245,040		245,040	228,021	228,021
Membership dues	2,139		2,139	2,399	2,399
Equipment	70,525		70,525	93,105	93,105
Staff development	9,127		9,127	15,997	15,997
Publicity and printing	40,672		40,672	30,838	30,838
Miscellaneous	9,622		9,622	11,065	11,065
Capital outlay		952,889	952,889		
Total Expenditures/Expenses	4,002,734	952,889	4,955,623	3,866,120	3,866,120
Excess of Revenue (Expenditures/Expenses)	63,423	119,352	182,775	110,089	110,089
Fund Balance					
January 1,	514,671	-	514,671	404,582	404,582
December 31,	\$ 578,094	\$ 119,352	\$ 697,446	\$ 514,671	\$ 514,671

See Independent Auditor's Report and Notes to Financial Statements

TOMPKINS COUNTY PUBLIC LIBRARY

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances - Total Governmental Funds **\$ 182,775**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 1,285,765	
Depreciation expense	<u>(346,383)</u>	939,382

Changes in the Library's proportionate share of net pension obligations have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the Library's deferred outflows and deferred inflows related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

ERS	\$ <u>(82,140)</u>	(82,140)
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Long-term liabilities, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Funds.

Long-term compensated absences	\$ 13,900	
Other postemployment benefits liability	<u>(499,103)</u>	<u>(485,203)</u>

Net Change in Net Position of Governmental Activities **\$ 554,814**

See Independent Auditor's Report and Notes to Basic Financial Statements

TOMPKINS COUNTY PUBLIC LIBRARY

TOMPKINS COUNTY PUBLIC LIBRARY FOUNDATION, INC. (DISCRETELY PRESENTED COMPONENT UNIT)

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUES				
Support				
Contributions	\$ 282,084	\$ 36,487	\$ 15,683	\$ 334,254
Grants/Other				-
Revenues				
Interest income	7,858			7,858
Dividend income	24,961	21,710		46,671
Gain on sale of investments	25,505	27,952		53,457
Unrealized gain (loss) on investments	180,553			180,553
Net assets reclassified due to investment gains (losses)				-
Miscellaneous income	2,704			2,704
In-kind contributions	8,622			8,622
Net assets released from restrictions	643,442	(643,442)		-
Total Support and Revenues	1,175,729	(557,293)	15,683	634,119
EXPENSES				
Program services	797,669			797,669
Management and general	117,631			117,631
Fundraising	118,213			118,213
Total Expenses	1,033,513	-	-	1,033,513
CHANGE IN NET ASSETS	142,216	(557,293)	15,683	(399,394)
Net Assets, January 1,	2,251,861	636,852	674,243	3,562,956
Net Assets, December 31,	\$ 2,394,077	\$ 79,559	\$ 689,926	\$ 3,163,562

See Independent Auditor's Report and Notes to Financial Statements

2016

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 406,281	\$ 204,710	\$ 22,029	\$ 633,020
	200,000		200,000
11,572			11,572
23,507	22,392		45,899
20,718	11,077		31,795
(25,663)			(25,663)
4,094	(4,094)		-
			-
4,203			4,203
250,925	(250,925)		-
<u>695,637</u>	<u>183,160</u>	<u>22,029</u>	<u>900,826</u>
275,020			275,020
142,240			142,240
135,018			135,018
<u>552,278</u>	<u>-</u>	<u>-</u>	<u>552,278</u>
143,359	183,160	22,029	348,548
<u>2,108,502</u>	<u>453,692</u>	<u>652,214</u>	<u>3,214,408</u>
<u>\$ 2,251,861</u>	<u>\$ 636,852</u>	<u>\$ 674,243</u>	<u>\$ 3,562,956</u>

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

***Note 1* Summary of Significant Accounting Policies**

The basic financial statements of Tompkins County Public Library (the Library) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Library's accounting policies are described below.

Reporting Entity

The Library is a component unit of Tompkins County (the County). The Library was established in 1968 by the County Board of Supervisors and granted a charter by the State Board of Regents as provided in Article 5 of the Education Law. The County Legislature appoints trustees, raises taxes for Library purposes, has title to real property used by the Library and issues all Library indebtedness, which is supported by the full faith and credit of the County of Tompkins.

The Library was established to provide public access to various published mediums including books, periodicals, reference materials and various audiovisual materials. The Library is a member of the Finger Lakes Library System which provides a cooperative network of libraries through which library resources may be acquired and exchanged. The Library is chartered to serve the County and, as a Central Library, is partially funded by New York State to extend services to residents of Cayuga, Seneca, Cortland, and Tioga Counties.

Discretely Presented Component Units

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus":

- The primary government, which is the Library,
- Organization for which the primary government is financially accountable, and
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

The decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement No. 14, as amended by GASB Statement Nos. 39 and 61, including legal standing, fiscal dependency, and financial accountability. Based on the applications of these criteria, the following is included as a discretely presented component unit:

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

- **Tompkins County Library Foundation, Inc.** - The Tompkins County Library Foundation, Inc. (the Foundation) is a not-for-profit corporation established for the benefit of the Library. Its separately issued financial statements may be obtained from the Foundation in Ithaca, New York. 3 of the 9 to 15 directors of the Board of Directors are nominated by the Library Board. The Foundation solicits, accepts, holds, invests, reinvests, and administers any gifts, grants, bequests, contributions, devices, benefits or trusts, endowments, and property of any kind without limitation of amount or value. Approximately three-quarters of the Foundation's assets are currently invested in endowment funds. The Foundation makes payments to the Library as pledges and other revenue are collected, and after operating expenses of the Foundation are paid.

Other Related Organizations

The Friends of the Tompkins County Public Library, Inc. is a nonprofit organization whose purpose is to raise funds in support of libraries in the Tompkins County area.

Basis of Presentation - Fund Accounting

The Library basic financial statements include columns for Governmental Fund types prepared on the modified accrual basis of accounting (Balance Sheets and Statements of Revenues, Expenditures, and Changes in Fund Balance), and columns for Governmental Activities prepared on the accrual basis of accounting (Statement of Net Position and Statement of Activities).

The Statement of Net Position and the Statement of Activities present summaries of activities for the Library. The focus of these columns is more on the sustainability of the Library as an entity and changes in the Library's net position from the current year's activities.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

The Library records transactions in the fund types described below:

Fund Categories

Governmental Fund Types - Those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources, and the related liabilities are accounted for through the Governmental Fund. The measurement focus of the Governmental Fund is based upon determination of financial position and changes in financial position. The following is the Library's Governmental Fund Type:

- General Fund - Principal operating fund which includes all operations not required to be recorded in other funds.
- Capital Fund - Accounts for the financial resources used for capital construction.

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

The Statement of Net Position and the Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash transaction takes place. Nonexchange transactions in which the Library gives or receives value without directly receiving or giving equal value in exchange include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Library considers all revenues reported in the Governmental Fund to be available if the revenues are collected within six months after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the Governmental Fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Equity Classifications - Governmental Fund Balance

The Library follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 defines the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - Governmental Fund Balance - Continued

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the Library's legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority, which is the Board of Trustees, prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, which is the Board of Trustees, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund.
- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit.

The Library has not adopted any resolutions to commit fund balance. The Library's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

Equity Classifications - Statement of Net Position

In the Statements of Net Position, equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets and net of accumulated depreciation, which is reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "net investment in capital assets" or "restricted."

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 1 Summary of Significant Accounting Policies - Continued

Vacation and Compensatory Absences

Library employees are granted vacation and earn compensatory absences in varying amounts. Four weeks of vacation time is earned by each full-time, permanent and provisional employee. Benefits accrue upon commencement of employment. Upon termination, employees are compensated for unused vacation time up to a maximum of two years.

Postemployment Benefits

In addition to providing pension benefits, the Library provides postemployment health insurance coverage to retired employees in accordance with provisions governed by the County. Substantially all Library employees may become eligible for these benefits if they elect to continue coverage. The Library recognized its share of premiums for retirees as health insurance. The Library follows GASB Statement No. 45 "Accounting and Financial Reporting for Employers for Postretirement Benefits Other than Pensions." (See Note 7)

Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful life of the asset.

The Library recognizes equipment purchases or acquisitions as follows:

Category	Minimum Cost	Useful Life
Shelving	\$ 500	10 years
Library and office furniture	1,000	10 years
Library equipment-Including telephone, 3M, and microfilm reader printers	500	5 years
Computers-Including servers, routers, and laser printers	700	5 years
Collection	N/A	5 years

Accessions and De-accessions

The Library's accessions consist of photographs, paintings, drawings, sculptures, prints, and memorabilia. As permitted by accounting principles generally accepted in the United States of America and in conformity with the practice followed by many museums and libraries, collection items purchased and donated are not capitalized in the accompanying Statements of Net Position.

Gifts of collection items are not recognized as gift revenue in the accompanying Statements of Activities. During 2017 and 2016 there were no proceeds from deaccessions.

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

Revenue

The major source of funding for the Library is appropriations from the County government. The Library also receives contributions from the Foundation and the Friends of Tompkins County Public Library. County appropriations are a significant portion of the Library's support, representing 66% of total revenue, with contributions from the Foundation and Friends of the Library representing 17% and 6%, respectively.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is Library policy to apply restricted funds before unrestricted funds unless otherwise prohibited by legal requirements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences and useful lives of long-lived assets.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Library reports deferred outflows related to pensions in the Statements of Net Position. The types of deferred outflows related to pensions are described in Note 6.

In addition to liabilities, the Statements of Net Position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Library reports deferred inflows related to pensions which are further described in Note 6.

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

***Note 2* Cash and Investments**

Library investment policies are governed by state statutes. In addition, the Library follows its own written investment policy. The Library's monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral (security) is required for demand and time deposits, and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State, its municipalities and school districts as set forth in the investment policy.

The written investment policy requires repurchase agreements be purchased from banks located within the State and underlying securities be obligations of the federal government. Underlying securities must have a market value of at least the cost of the repurchase agreements.

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of three months or less.

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. While the Library does not have a specific policy for custodial credit risk, New York State statutes govern Library investment policies as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Library's name.

The Library's aggregate bank balances of \$827,942 and \$591,399 for the years ended December 31, 2017 and 2016, respectively, are either insured or collateralized with securities held by the pledging financial institution in the Library's name. Restricted cash at December 31, 2017 and 2016 consisted of \$119,352 and \$-0- respectively, restricted for capital projects.

***Note 3* Accounts Receivable**

Due from TCPL Foundation of \$19,410 is different than the \$119,352 due to Tompkins County Public Library in the Foundation's Statement of Financial Position on page 8 for the year ended December 31, 2016. The Foundation and the Library are required to conform to different accounting standards. This resulted in the \$100,000 contribution pledged in 2016 by the Foundation to the Library to be recognized differently by each entity. In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958, "Not for Profit Entities," the Foundation recognized the pledge in the year it was made, whereas the Library recognizes the contribution in conformity with Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions." The GASB Statement No. 33 requirements for the Library to recognize this contribution revenue was not met as of December 31, 2016.

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 4 Capital Assets

Capital assets consisted of the following at December 31,:

	2017			
	Balance at 12/31/2016	Additions	Retirements & Reclassifications	Balance at 12/31/2017
Historical Cost				
Construction in progress	\$ -	\$ 690,511	\$ -	\$ 690,511
Equipment	1,620,394	317,164	(3,905)	1,933,653
Collection	5,791,764	278,090	(173,753)	5,896,101
Total Capital Assets	<u>7,412,158</u>	<u>1,285,765</u>	<u>(177,658)</u>	<u>8,520,265</u>
Less Accumulated Depreciation:				
Equipment	(1,368,657)	(86,443)	3,905	(1,451,195)
Collection	(5,122,291)	(259,940)	173,753	(5,208,478)
Total Accumulated Depreciation	<u>(6,490,948)</u>	<u>(346,383)</u>	<u>177,658</u>	<u>(6,659,673)</u>
Total Capital Assets, Net	<u>\$ 921,210</u>	<u>\$ 939,382</u>	<u>\$ -</u>	<u>\$ 1,860,592</u>
	2016			
	Balance at 12/31/2015	Additions	Retirements & Reclassifications	Balance at 12/31/2016
Historical Cost				
Equipment	\$ 1,557,817	\$ 68,470	\$ (5,893)	\$ 1,620,394
Collection	5,662,749	298,897	(169,882)	5,791,764
Total Capital Assets	<u>7,220,566</u>	<u>367,367</u>	<u>(175,775)</u>	<u>7,412,158</u>
Less Accumulated Depreciation:				
Equipment	(1,317,976)	(56,574)	5,893	(1,368,657)
Collection	(5,041,997)	(250,176)	169,882	(5,122,291)
Total Accumulated Depreciation	<u>(6,359,973)</u>	<u>(306,750)</u>	<u>175,775</u>	<u>(6,490,948)</u>
Total Capital Assets, Net	<u>\$ 860,593</u>	<u>\$ 60,617</u>	<u>\$ -</u>	<u>\$ 921,210</u>

Depreciation expense amounted to \$346,383 and \$306,750 for the years ended December 31, 2017 and 2016, respectively.

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 5 **Compensated Absences**

Compensated absences represent the value of the earned and unused portion of the liability for accrued vacation and compensatory time.

The following is a summary of changes in the Library's long-term obligation for compensated absence:

Balance at 12/31/2016	Additions	Payments	Balance at 12/31/2017
\$ <u>145,533</u>	\$ <u>-</u>	\$ <u>(13,900)</u>	\$ <u>131,633</u>
Balance at 12/31/2015	Additions	Payments	Balance at 12/31/2016
\$ <u>133,881</u>	\$ <u>11,652</u>	\$ <u>-</u>	\$ <u>145,533</u>

Payment of compensated absences is dependent upon future factors and thus, timing of such payments cannot be determined. Additions and payments are therefore shown net.

Note 6 **Pension Obligations - New York State and Local Employees' Retirement System (ERS)**

Plan Descriptions and Benefits Provided - Employees' Retirement System (ERS)

The Library participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Library also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Plan Descriptions and Benefits Provided - Employees' Retirement System (ERS) - Continued

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Summary of Significant Accounting Policies

The System's financial statements from which the System's fiduciary net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the System's annual report.

Contributions

Contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
ERS	\$ 260,850	\$ 303,722	\$ 288,556

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the Library reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Library's proportionate share of the net pension liability was based on a projection of the Library's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was derived from report provided to the Library by the ERS System.

	<u>2017</u>	<u>2016</u>
Actuarial valuation date	4/1/2016	4/1/2015
Net pension liability	\$ 9,396,223,126	\$ 16,050,279,000
Library's proportionate share of the Plan's total net pension liability	660,193	1,168,629
Library's share of the net pension liability	0.0070262%	0.0072811%

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

For the year ended December 31, 2017, the Library recognized pension expense of \$348,039 for ERS in the financial statements. At December 31, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	2016
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ 16,544	\$ 5,905
Changes in assumptions	225,546	311,638
Net differences between projected and actual earnings on pension plan investments	131,867	693,295
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,237	3,846
Library's contributions subsequent to the measurement date	198,470	195,636
Total Deferred Outflows of Resources	\$ 582,664	\$ 1,210,320
Deferred Inflows of Resources		
Differences between expected and actual experience	\$ (100,254)	\$ (138,521)
Changes in proportion and differences between employer contributions and proportionate share of contributions	(30,323)	(29,136)
Total Deferred Inflows of Resources	\$ (130,577)	\$ (167,657)

Library contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	2017	2016
2017	\$	\$ 213,013
2018	116,495	213,013
2019	116,495	213,013
2020	110,240	207,988
2021	(89,613)	
2022		
Thereafter		

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

***Note 6* Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued**

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

	<u>2017</u>	<u>2016</u>
Measurement date	March 31, 2017	March 31, 2016
Actuarial valuation date	April 1, 2016	April 1, 2015
Investment Rate of Return	7.0%	7.0%
Salary increases	3.8%	5.1%
Cost of living adjustments	1.3%	1.3%
Inflation rate	2.5%	2.5%

For 2017 and 2016, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2016 and 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Actuarial Assumptions - Continued

For ERS, the long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	<u>2017</u>	<u>2016</u>
Measurement date	March 31, 2017	March 31, 2016
Asset Type:		
Domestic equities	4.55%	7.30%
International equities	6.35%	8.60%
Real estate	5.80%	8.30%
Private equity/Alternative investments	7.75%	11.00%
Absolute return strategies	4.00%	6.80%
Opportunistic portfolio	5.89%	8.60%
Real assets	5.54%	8.70%
Cash	-0.25%	2.30%
Inflation-indexed bonds	1.50%	4.00%
Mortgages and bonds	1.31%	4.00%

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% and 7.5% in 2017 and 2016, respectively. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
2017			
Library's proportionate share of the net pension liability	\$ 2,108,526	\$ 660,193	\$ (564,370)
2016			
Library's proportionate share of the net pension liability	\$ 2,635,173	\$ 1,168,629	\$ (70,538)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective valuation dates were as follows:

	Dollars in Thousands	Dollars in Thousands
	2017	2016
Measurement date	March 31, 2017	March 31, 2016
Employers' total pension liability	\$ 177,400,586	\$ 172,303,544
Plan net position	168,004,363	(156,253,265)
Employers' Net Pension Liability	\$ 9,396,223	\$ 16,050,279
Ratio of Plan Net Position to the Employers' Total Pension Liability	94.7%	90.7%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of December 31, 2017 and 2016 represent the projected employer contribution for the period of April 1, 2017 through December 31, 2017 and April 1, 2016 through December 31, 2016 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Prepaid retirement contributions as of December 31, 2017 and 2016 amounted to \$66,156 and \$65,214, respectively.

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Effect on Net Position

Changes in the net pension liability and deferred outflows and inflows of resources for the year ended December 31, 2017 and 2016 resulted in the following effect on net position:

	2017		
	Beginning Balance	Change	Ending Balance
Net pension liability	\$ (1,168,629)	\$ 508,436	\$ (660,193)
Deferred outflows of resources	1,210,320	(627,656)	582,664
Deferred inflows of resources	(167,657)	37,080	(130,577)
Total	\$ (125,966)	\$ (82,140)	\$ (208,106)
	2016		
	Beginning Balance	Change	Ending Balance
Net pension liability	\$ (209,698)	\$ (958,931)	\$ (1,168,629)
Deferred outflows of resources	270,926	939,394	1,210,320
Deferred inflows of resources	(22,295)	(145,362)	(167,657)
Total	\$ 38,933	\$ (164,899)	\$ (125,966)

Note 7 Other Postemployment Benefits

The Library complies with GASB Statement No. 45 "Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions."

An actuarial valuation of the Library's Retiree Healthcare Plan (Plan) was performed as of January 1, 2016 for the fiscal years ended December 31, 2017 and 2016 by the County's contractor in conjunction with the overall evaluation for the County. The Library's actuarial evaluation is stated as a subcomponent of the total County liability. The Plan is a single-employer defined benefit Healthcare Plan administered by the County. The Plan provides medical, hospital, drug and Part B Premium Reimbursements to eligible retirees and their spouses. Authority to establish and amend the Plan rests with the County subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report as there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 7 Other Postemployment Benefits - Continued

Prescription co-payments and contribution requirements of Plan members and the Library are established and may be amended by the Library subject to applicable collective bargaining and employment agreements. The Library has negotiated collective bargaining agreements which include obligations of Plan members and the Library. Required contribution is based on projected “pay-as-you-go” financing requirements. For the year ended December 31, 2017, the Library’s expected contributions were \$74,462 to the Plan for current premiums of 19 retirees, compared to \$65,731 in 2016. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

The Library’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years.

The following table shows components of the Library’s annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the Library’s net OPEB obligation to the Library’s Healthcare Plan for the year ended December 31,:

	2017	2016
Normal cost	\$ 349,387	\$ 337,572
Amortization of unfunded actuarial accrued liability (UAAL)	362,114	321,730
Total Annual Required Contribution	711,501	659,302
Interest on net OPEB obligation	157,072	140,325
Adjustment to annual required contribution	(295,008)	(255,401)
Annual OPEB Cost (Expense)	573,565	544,226
Expected employer contributions	(74,462)	(65,731)
Increase in Net OPEB Obligation	499,103	478,495
 Net OPEB Obligation - January 1,	 4,487,780	 4,009,285
 Net OPEB Obligation - December 31,	 \$ 4,986,883	 \$ 4,487,780

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 7 Other Postemployment Benefits - Continued

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2015, 2016, and 2017 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2017	\$ 573,565	11.5%	\$ 4,986,883
12/31/2016	544,226	12.1%	4,487,780
12/31/2015	629,987	15.7%	4,009,285

As of December 31, 2017 and 2016, the Plan was not funded. The actuarial accrued liability for benefits was \$5,322,348 and \$4,879,717, respectively. There are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$2,035,271 and \$1,927,244, and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 262% and 253%, respectively.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and Plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. Actuarial assumptions included an annual medical cost trend rate of 5%, 2.9% inflation rate, and 3.5% discount rate.

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 8 Fund Balances and Net Position

Restricted Fund Balances

Portions of fund balance are restricted and are not available for current expenditures as reported in the Governmental Funds Balance Sheet. Balances and activity for the year ended December 31, of the restricted fund balance were as follows:

		2017		
Capital Fund Restricted Fund Balance	Beginning Balance	Additions	Appropriated	Ending Balance
Reserved for capital projects	\$ -	\$ 1,072,241	\$ (952,889)	\$ 119,352

		2016		
General Fund Restricted Fund Balance	Beginning Balance	Additions	Appropriated	Ending Balance
Reserved for retirement	\$ 30,000	\$ -	\$ (30,000)	\$ -
Reserved for equipment	17,021	-	(17,021)	-
Total	\$ 47,021	\$ -	\$ (47,021)	\$ -

Note 9 Donated Services

The Library receives services from volunteers but does not value, record, or report the value for said services in the accompanying financial statements as they do not meet the reporting requirements.

Note 10 Related Parties

The Library received contributions of \$295,000 and \$340,000 from the Friends of the Tompkins County Public Library for the years ended December 31, 2017 and 2016, respectively.

Note 11 Component Unit Transactions

The Library received contributions of \$881,203 and \$158,883 from the Foundation for the years ended December 31, 2017 and 2016, respectively, which are reported in the financial statements. Also refer to Note 3 which discusses the difference in revenue recognition criteria between the Foundation and the Library. In addition, the Library received \$7,150 and \$265 in-kind contributions of materials for the years ended December 31, 2017 and 2016, respectively, which are not reflected in the financial statements of the Library.

The County contributed \$3,403,415 and \$3,233,201 to the Library for the years ended December 31, 2017 and 2016, respectively, which are reported in the financial statements. Additionally for 2017 and 2016, respectively, the County provided debt service of \$483,179 and \$481,787 for serial bond payments on the building occupied by the Library. Additionally, on February 21, 2018, the County issued \$1,825,000 of serial bonds, with an interest ranging between 2.0% and 2.5%, which includes \$300,000 for the Library's improvement purposes. These amounts are not reflected in the financial statements of the Library.

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

***Note 12* Commitments and Contingencies**

Risk Financing and Related Insurance

The Library is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The 21st Century Library Campaign

The library underwent a major renovation project related to its 21st Century Library Campaign. This project was primarily funded by the Foundation and the County. On July 7, 2016, the County issued one-year bond anticipation notes for purposes of the Library's renovation purposes (See Note 11).

***Note 13* Deficit Unrestricted Net Position**

Unrestricted net position in the Government-wide Statement of Net Position shows a deficit balance of \$(4,778,417) and \$(4,244,608) for the years ended December 31, 2017 and 2016, respectively. These deficits stem from the required recording of other postemployment benefits expense and liability in the Government-wide statements. Currently, there is no mechanism for governments in New York State to fund this liability. Therefore, the liability and unrestricted net deficit are expected to continue for the immediate future.

TOMPKINS COUNTY PUBLIC LIBRARY

BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL FUND FOR THE YEARS ENDED DECEMBER 31,

	2017			
	Modified Budget	Actual	Encumbrances	Variance Fav.(Unfav.)
Revenue				
State sources	\$ 31,957	\$ 31,982	\$	\$ 25
Tompkins County	3,403,415	3,403,415		-
City of Ithaca	15,086	15,237		151
Town of Ithaca	10,000	10,000		-
Central Library Development Grant	98,245	98,334		89
Friends of TCPL	295,000	295,000		-
TCPL Foundation	131,203	131,203		-
Library charges	58,500	61,918		3,418
Use of money and property	1,000	1,271		271
Other revenues	16,590	17,797		1,207
	4,060,996	4,066,157	-	5,161
Expenditures				
Salaries	2,035,272	2,035,271		1
Fringe benefits	522,539	468,758		53,781
Health insurance	628,452	622,762		5,690
Books	186,514	174,734		11,780
Periodicals	11,628	8,304		3,324
AV/CD ROM materials	121,638	100,956		20,682
Insurance	16,751	16,750		1
Repairs and maintenance	61,378	61,372		6
Supplies and materials	52,665	47,859		4,806
Telephone	20,320	20,232		88
Postage	2,000	1,511		489
Finger Lakes Library System services	67,100	67,100		-
Professional fees	307,173	245,040		62,133
Membership dues	2,659	2,139		520
Equipment	86,455	70,525		15,930
Staff development	22,517	9,127		13,390
Publicity and printing	52,300	40,672		11,628
Miscellaneous	11,790	9,622		2,168
	4,209,151	4,002,734	-	206,417
Excess of (Expenditures) Over Revenue	(148,155)	63,423	\$ -	\$ <u>211,578</u>
Appropriated Fund Balance	148,155			
Net Change in Fund Balances	\$ <u>-</u>			
Fund Balance, January 1,		514,671		
Fund Balance, December 31,		\$ 578,094		

See Independent Auditor's Report and Notes to Required Supplementary Information

2016

<u>Modified Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Fav.(Unfav.)</u>
\$ 33,457	\$ 33,457	\$	\$ -
3,233,201	3,233,201		-
15,301	15,086		(215)
10,000	10,000		-
98,245	98,245		-
340,000	340,000		-
158,883	158,883		-
80,500	67,442		(13,058)
1,000	988		(12)
21,667	18,907		(2,760)
<u>3,992,254</u>	<u>3,976,209</u>	<u>-</u>	<u>(16,045)</u>
1,916,127	1,915,592		535
495,849	465,702		30,147
623,631	581,315		42,316
195,700	183,270		12,430
10,503	8,289		2,214
130,591	112,434		18,157
16,262	16,262		-
69,548	62,909		6,639
57,382	50,576		6,806
20,390	20,381		9
3,000	865		2,135
67,100	67,100		-
346,508	228,021		118,487
2,399	2,399		-
93,117	93,105		12
22,156	15,997		6,159
41,611	30,838		10,773
25,954	11,065		14,889
<u>4,137,828</u>	<u>3,866,120</u>	<u>-</u>	<u>271,708</u>
(145,574)	110,089	\$ <u>-</u>	\$ <u>255,663</u>
<u>145,574</u>			
\$ <u>-</u>			
	<u>404,582</u>		
	\$ <u>514,671</u>		

TOMPKINS COUNTY PUBLIC LIBRARY

SCHEDULE OF LIBRARY'S CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 260,850	\$ 303,722	\$ 288,556
Contributions in relation to the contractually required contribution	(260,850)	(303,722)	(288,556)
Contribution deficiency (excess)	-	-	-
Library's covered - employee payroll	1,852,253	1,798,141	1,685,339
Contributions as a percentage of covered - employee payroll	14.1%	16.9%	17.1%

* Information not readily available

See Independent Auditor's Report and Notes to Required Supplementary Information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 320,152	\$ 265,631	\$ 227,295	\$ 188,229	\$ *	\$ *	\$ *
(320,152)	(265,631)	(227,295)	(188,229)	*	*	*
-	-	-	-	*	*	*
1,489,640	1,532,665	1,457,033	1,536,141	*	*	*
21.5%	17.3%	15.6%	12.3%	N/A	N/A	N/A

TOMPKINS COUNTY PUBLIC LIBRARY

SCHEDULE OF THE LIBRARY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED DECEMBER 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Library's proportion of the net pension liability	0.007026%	0.007281%	0.006200%
Library's proportionate share of the net pension liability	\$ (660,193)	\$ (1,168,629)	\$ (209,698)
Library's covered-employee payroll during the measurement period	1,811,285	1,758,709	1,465,228
Library's proportionate share of the net pension liability as a percentage of its covered-employee payroll	-36.45%	-66.45%	-14.31%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%

See Independent Auditor's Report and Notes to Required Supplementary Information

TOMPKINS COUNTY PUBLIC LIBRARY

SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Year Ended December 31,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2017	1/1/2016	\$ -	\$ 5,322,348	\$ 5,322,348	0.0%	\$ 2,035,271	262%
2016	1/1/2016	-	4,879,717	4,879,717	0.0%	1,927,244	253%
2015	1/1/2014	-	5,816,371	5,816,371	0.0%	1,837,653	317%
2014	1/1/2014	-	5,376,397	5,376,397	0.0%	1,856,968	290%
2013	1/1/2012	-	5,484,063	5,484,063	0.0%	1,666,666	329%
2012	1/1/2012	-	5,043,968	5,043,968	0.0%	1,686,350	299%

See Independent Auditor's Report and Notes to Required Supplementary Information

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 1 **Budget Basis of Accounting**

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or expenditure in GAAP-based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year-end, thereby ensuing appropriations are not exceeded.

Note 2 **Reconciliation of the Budget Basis to GAAP**

No adjustment is necessary to convert the excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as encumbrances are presented in a separate column and are not included in the actual results at December 31, 2017.

Note 3 **Schedule of Funding Progress**

The Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 4 **Schedule of the Library's Proportionate Share of the Net Pension Liability**

The Schedules of the Library's Proportionate Share of the Net Pension Liability, required supplementary information, present three years of information. These schedules will present ten years of information as it becomes available from the pension plans.

Note 5 **Schedule of Contributions - NYSLRS Pension Plan and Schedule of the Library's Proportionate Share of the Net Pension Liability**

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2015 actuarial valuation.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2015 actuarial valuation.

TOMPKINS COUNTY PUBLIC LIBRARY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

***Note 5* Schedule of Contributions - NYSLRS Pension Plan and Schedule of the Library's Proportionate Share of the Net Pension Liability - Continued**

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2015 actuarial valuation determines the employer rates for contributions payable in fiscal year 2017. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

**INDEPENDENT AUDITOR'S 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
Tompkins County Public Library
Ithaca, 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 the governmental activities, the aggregate discretely presented component unit, and each major fund of Tompkins County Public Library (the Library), a component unit of the County of Tompkins, as of and for the years December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 14, 2018. Our report includes a reference to other auditors who audited the financial statements of Tompkins County Public Library Foundation, Inc. (the Foundation), as described in our report on the Library's financial statements. The financial statements of the Foundation were audited by other auditors, were not required to be, and were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library'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 Library'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 the Library’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 Library’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 Library’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
May 14, 2018