

Audited
Financial
Statements

December 31,
2021

Cumberland County Library System

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cumberland County Library System
Carlisle, Pennsylvania

OPINIONS OF THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and the major fund of Cumberland County Library System, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Library System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Cumberland County Library System as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cumberland County Library System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cumberland County Library System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cumberland County Library System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cumberland County Library System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Cumberland County Library System's 2020 financial statements, and we have expressed unmodified audit opinions on those audited financial statements in our report dated October 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, and Budgetary Comparison Schedule – General Fund on page 26 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library System's basic financial statements. The detailed budgetary comparison schedule – general fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The detailed budgetary comparison schedule – general fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Smith Elliott Kearns + Company, LLC

Chambersburg, Pennsylvania
September 16, 2022

CUMBERLAND COUNTY LIBRARY SYSTEM

Management's Discussion and Analysis

This Management Discussion and Analysis (MD&A) of the Cumberland County Library System's financial performance provides an overview of the Library System's activities for the fiscal year ending December 31, 2021. The MD&A also includes a comparison of current year financial activities to the previous year. It is recommended that readers consider this information in conjunction with the financial statements as a whole.

1) CUMBERLAND COUNTY LIBRARY SYSTEM BACKGROUND:

The Cumberland County Library System headquarters' mission is to enhance the capacity of member libraries, encourage lifelong learning, and facilitate access to information and technology, all to improve the quality of life in our communities. This is accomplished through a cooperative network of eight public libraries that includes seven members and one branch facility.

The Library System serves residents of Cumberland County and three municipalities in Franklin County. It provides residents or real property owners of Cumberland County and the Shippensburg Area School District with a library card that may be used to borrow materials from any Cumberland County public library at no charge. The System's member libraries include Amelia S. Givin Free Library, Bosler Memorial Library, Cleve J. Fredricksen Library and its East Pennsboro Branch, Coy Public Library of Shippensburg, John Graham Public Library, Joseph T. Simpson Public Library, and New Cumberland Public Library.

The library system headquarters is an independent agency of Cumberland County government that is designated to provide library services. In accordance with the Pennsylvania Library Code, the County Commissioners appoint a Library System Board to administer the agency. One County Commissioner serves as a liaison to the Library System Board.

The Library System Board has exclusive control of Cumberland County library tax funds and funds received from Commonwealth Libraries. These funds, and any other funds appropriated for library services, are disbursed under the direction of the Library System Board for the establishment or maintenance of library services.

The library system headquarters is not considered a component unit of County government operations. Thus, the library system headquarters is audited independently from County government operations and member library operations. Each Cumberland County Library System member library is independently governed and audited.

The System also has an independent Cumberland County Library System Foundation that is a nonprofit, tax-exempt organization.

Overview of 2021 Activities

In 2021, the Library System headquarters' office focused on several initiatives:

1. **The Safe Opening of Member Libraries:** By January 2021 most libraries had resumed some level of in-person library services with Covid-safe protocols in place, and the library system staff were all able to return to the office (although some teleworking arrangements remained in place.) Libraries saw a 25% increase in library visitors (137,282 more than 2020), and a 61% increase in program attendance (30,976 more than 2020.)

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Management's Discussion and Analysis

Library directors across the county continued to meet for Covid-safety discussions and planning. The East Pennsboro Branch was limited in capacity to serve people in the building and hours to be opened due to borough regulations. The John Graham Library had a devastating water leak that required 8 months of closure because of Covid-related workforce and supply chain shortages.

The library system implemented a mobile app called Library2Go in order to facilitate additional self-services. The app includes a mobile library card for multiple accounts in one household, access to the catalog and library databases, and the ability to conduct most library circulation business from the app.

2. **Implementation of RFID:** Based on a project that started in 2020, libraries continued to tag and pair approximately 530,000 library materials to be radio frequency identification ready by March 31, 2021. All facilities modified workflows to ensure every new item receives a tag and has it paired for the system. Ten (10) sets of RFID inventory control gates were installed at five (5) libraries, and key staff at all libraries were provided with basic and supervisory staff training on the system. Thirty-seven (37) staff workstations were prepared for use on the RFID system, along with the conversion of twenty (20) self-checkout workstations for library customer self-services. The project was a success, and the Cumberland County Commissioners awarded the library system \$100,000 in early 2022 for the completion of this innovative project.
3. **Strategic Plan for 2022-2026 Completed:** The Cumberland County Library System Board adopted a new strategic plan in late 2021 for implementation in 2022. This included a new vision, mission statement and values. The plan is based on five key objectives: share resources, increase access, secure funding, support staff and continue innovation.
4. **Circulation of Library Materials:** Cardholders borrowed more than 1.8 million items in 2021 from Cumberland County's public libraries. This was a 17% increase over 2020 with a 29% jump in the circulation of physical books, and a decrease of 13% in the circulation of eBooks. Additionally, use of physical video collection increased by 4% (12,321 items) while use of our streaming film service decreased in 2021 (down 17% or 2,745 fewer videos streamed). In 2021, people were definitely returning to libraries to borrow materials.

In addition to these 2021 initiatives, the library system headquarters continued to provide member libraries and the public with services in seven key areas: 1) information technology; 2) collection services; 3) direct library services; 4) administrative and financial services; 5) training services for staff and board members; 6) fundraising; and 7) STAR outreach services to older adults.

Key Service Areas:

1. **Information Technology Services:** To make library and information services widely accessible to Cumberland County residents, the System Headquarters maintained a high-speed county wide library network. In 2021, the network was comprised of 356 computers, including 23 servers, 151 computers for the public and 182 computers for staff, plus associated printers, scanners and other peripherals. The distribution of this equipment was directly related to member library service levels — ranging from 128 computers at Bosler Library, to 9 at the system's smallest facility, East Pennsboro Branch.

CUMBERLAND COUNTY LIBRARY SYSTEM

Management's Discussion and Analysis

The computer network provided the public with on-site and remote access to the library system headquarters' website, catalog, reference databases, circulation, and services for the homebound. It also helped the System Headquarters and its member library staff work effectively and efficiently by providing Outlook email and calendar services, office productivity software, fund raising software and a website content management system. In 2021, the library system's web site was visited more than 1,143,675 times —a 6.7% increase from the prior year, or 91,384 additional visits.

The library system purchased new staff computers in 2020 and 2021 in accordance with our normal replacement schedule. Staff computers were replaced at the final 3 locations in 2021.

2. **Collection Management Services:** To provide library users with access to collections and materials, the System Headquarters provided its member libraries with acquisitions, cataloging, processing and bibliographic database maintenance services for newly purchased or donated library materials. Not only did this centralized service reduce costs for materials and supplies, it also reduced costs for member libraries to employ and train collection services staff.

In 2021, the following work results were accomplished:

- 24,386 items were received (a 2.5% increase from 2020),
- 17,962 titles were cataloged (a 7.3% increase from 2020),
- 29,734 items were delivered to member libraries (an 10.2% increase from 2020), and
- Turnaround times for materials remained well under the goal of 10 days with most items on the floor for 2 days or fewer, and only 6 instances where turnaround time was more than 5 days.

3. **Direct Library Services for the Public:** To provide library users with in-depth access to collections, materials and services, the library system provided county residents and taxpayers with a library card, at no charge, to obtain county wide public library services, library material delivery services, reference databases and online services. Service development and improvements were coordinated through member library staff advisory groups that included member library directors, youth service librarians as well as staff from computer services, collection services, training services, outreach services and an app development team. In 2021, the number of library card holders (109,942) reflected a 3% increase (3,296 cardholders) from the previous year.
4. **Administrative and Financial Services:** Administrative and financial services fell into three primary areas: 1) library service planning, coordination, and evaluation; 2) public relations; 3) finance. The library system handled \$ 1,155,158 in state funding, \$ 4,211,085 in county funding, \$ 21,834 in fine and fee revenue, \$ 1,581 in fundraising and grants, and \$ 5,565 in investment revenue. \$ 3,734,659 was distributed to member libraries. This was 0.4% less than the previous year.
5. **Training Services for Staff and Board Members:** To meet the ongoing training needs of member library staff, the System Headquarters provided a trainer to provide instruction on a system-wide basis. As part of its training program, it also maintained an Intranet website to support staff and board member activities. In 2021, 219 staff participated in a combined 624.5 hours of learning over 81 training sessions. This significant increase was due to the re-opening of libraries after state-mandated closings. It included a system-wide hybrid staff development day.

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Management's Discussion and Analysis

6. **Advancement:** To facilitate funding to the Foundation, and support fundraising for the member libraries, one staff member supported Advancement. A total of 278 grants were researched, 140 of which matched with member library and library system priorities. Full proposals were written and submitted for the matches. Of those, 33 were funded for a total of \$ 57,1001 in grant funding. This was a significant decrease due to the CARES act grants of 2000 totaling \$ 115,000.
7. **STAR Outreach Services for Older Adults:** To meet the library service needs of homebound adults, the library system provided Cumberland County homebound adults with STAR services (Services to Adult Readers), at no charge. Although the service was extremely stalled by the pandemic, the coordinator maintained a network of 77 volunteers, the library system provided 75 homebound readers with library materials, including large print, audiobooks, and video recordings. The library system also provided large print book deposit collections to 23 nursing homes, senior centers, assisted and independent living residences in the county. In 2021, the number of items borrowed (6,025) by homebound individuals nearly doubled due to access restrictions to libraries and care facilities being lifted and people being able to interact with others outside of their home and family with vaccines and masking in place.

2) FINANCIAL HIGHLIGHTS:

In 2021, the library system's total revenues were \$ 5,499,604 which is an increase of \$ 88,751 or 1.63% from prior year, and \$ 168,351 over budget. Total expenditures were \$ 5,378,332, a decrease of \$ 4,794 or .09% from the prior year, and \$ 261,318 under budget. The change in fund balance was \$ 121,272.

The fund balance as of December 31, 2021 is \$ 3,695,352 and was comprised of four components:

1. **125-Day Contingency Fund Balance of \$ 1,545,826:** The purpose of the 125-Day Contingency Fund is to have funds available to replace unexpected shortfalls in budgeted income or to meet unexpected, yet necessary, expenditures. For example, Commonwealth Libraries has sometimes delayed making state aid payments at the beginning of the calendar year; or due to cash flow issues, the County has sometimes delayed payment of anticipated library tax funds. When these occurrences result in the unassigned fund balance dipping below the defined minimum unassigned fund balance, the Library System Board can approve the use of contingency funds to replace state aid or county funds to ensure that the library system has sufficient funding to operate. Then, when the state or County payments is restored, the 125-Day Contingency Funds are replaced. The balance needed in this fund is based upon 125 days of average General Fund budgeted expenditures, including those amounts budgeted for member library distributions.
2. **Technology Fund Balance \$ 192,931:** The Technology Fund is intended for the future upgrades to the library system's integrated library system server and software systems.
3. **Unassigned Fund Balance of \$ 1,835,690:** This fund is the residual classification for the general fund and includes all amounts not contained in any other classifications. Unassigned amounts are available for any purpose. The Unassigned Fund Balance amount was 34% of the system's total operating expenditures – an indicator of sound financial practices.
4. **Non-spendable fund balance of \$ 120,905:** This fund represents a contractual service prepayment.

CUMBERLAND COUNTY LIBRARY SYSTEM

Management's Discussion and Analysis

3) DESCRIPTION OF THE BASIC FINANCIAL STATEMENTS:

The library system headquarters' annual audit report consists of a series of statements:

- a. *The Statement of Net Position and Governmental Fund Balance Sheet* — Provides details on the System Headquarters' assets, liabilities and net position, with a comparison to the prior year.
- b. *Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance* — Provides details about the System's operating activities and changes in fund balance, with a comparison to the prior year.
- c. *Notes to Financial Statements* — Explains:
 1. Summary of significant accounting policies;
 2. Cash and cash equivalents and investments;
 3. Accounts receivable;
 4. Capital assets;
 5. Long-term liabilities;
 6. Fund balance;
 7. Related party transactions;
 8. Risk management;
 9. Commitments and contingencies; and
 10. Subsequent Event.
- d. *Budgetary Comparison Schedule – General Fund (Unaudited)* — Provides information on actual program and general revenues and expenditures as compared to budget.
- e. *Detailed Budgetary Comparison Schedule - General Fund* — Provides supplementary information that compares detailed budgeted and actual revenues and expenditures.

4) CONDENSED COMPARATIVE FINANCIAL STATEMENTS

Statement of Net Position	Amount		Percentage	
	2021	2020	2021	2020
Assets				
Current Assets	\$ 3,888,470	\$ 4,239,142	95%	93%
Noncurrent assets	215,169	320,896	5%	7%
Total Assets	\$ 4,103,639	\$ 4,560,038	100%	100%
Liabilities				
Current liabilities	\$ 208,933	\$ 683,003	93%	98%
Long-term liabilities	16,649	17,228	7%	2%
Total Liabilities	\$ 225,582	\$ 700,231	100%	100%
Net Position				
Net investment in capital assets	\$ 215,169	\$ 320,896	6%	8%
Unrestricted	3,662,888	3,538,911	94%	92%
Total Net Position	\$ 3,878,057	\$ 3,859,807	100%	100%
Total Liabilities and Net Position	\$ 4,103,639	\$ 4,560,038		

CUMBERLAND COUNTY LIBRARY SYSTEM
Management's Discussion and Analysis

Statement of Activities	Amount		Percentage	
	2021	2020	2021	2020
Revenues				
Program Revenues				
State Funds	\$ 1,155,158	\$ 1,155,158	21%	21%
Grants	103,091	92,539	2%	2%
Other program funds	398	699	0%	0%
Total Program Revenues	1,258,647	1,248,396	23%	23%
General Revenues				
County tax revenue	4,211,472	4,120,244	77%	77%
Interest	5,565	21,256	0%	0%
Donations	1,581	155	0%	0%
Fines (Online Payments)	21,834	16,793	0%	0%
Miscellaneous and other	892	4,009	0%	0%
Total General Revenues	4,241,344	4,162,457	77%	77%
Total Revenues	5,499,991	5,410,853	100%	100%
Program Expenses				
Wages and benefits	945,484	932,067	17%	17%
Collection	137,602	195,431	3%	4%
Other operating	602,910	505,915	11%	9%
Member library distributions	3,795,745	3,749,713	69%	70%
Total expenses	5,481,741	5,383,126	100%	100%
Change in Net Position	\$ 18,250	\$ 27,727		

5) ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR GOVERNMENTAL ACTIVITIES:

The library system headquarters completed its fiscal year in a good financial position. At the close of December 31, 2021, its assets stood at \$ 4,103,639, which is a decrease compared to the prior year's \$ 4,560,038. Much of this is due to the spending down of the Charles Curtis Estate account dedicated to funding RFID.

The library system headquarters completed the year with an Unassigned Fund Balance of \$ 1,835,690. This is 34% of the system's total operating expenditures or 4 months of regular general fund operating expenditures. The Government Finance Officers Association recommends a minimum of two months of regular general fund operating expenditures.¹

In addition, the library system headquarters had a fully funded 125-day Contingency Fund Balance of \$ 1,545,826. This committed fund balance includes not only the library system headquarters' 125-day operational cash needs, but also a cash reserve for 125-days of member library distributions.

In 2011, The Commonwealth of Pennsylvania eliminated the Statewide Library Card Reimbursement program. This led to the Library System Board and the County Commissioners agreeing to begin making withdrawals from the 125-Day funds to prevent a budget deficit for library services.

¹ Gauthier, Stephen J., "GFOA Updates Best Practice on Fund Balance," *Government Finance Review*. December 2009, page 69.

CUMBERLAND COUNTY LIBRARY SYSTEM

Management's Discussion and Analysis

BUDGETARY ANALYSIS:

Revenues

Overall, the library system's total revenues were \$ 5,499,604 - an increase compared to the prior year.

Expenditures

Overall, the library system's total expenditures of \$ 5,378,332 decreased from the prior year by \$ 4,794. Some wages and benefits increased due to adjustments of County salaries, and there were increases to member library distributions. Funds from the Charles Curtis Estate were used to pay for expenses related to the Radio Frequency Identification project.

Fund Balance

- The Library System Board maintained the balance of \$ 3,695,352.
- The library system carried over a \$ 1,835,690 Unassigned Fund Balance for its 2021 operating budget cash flow needs.

6) CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY:

Total Capital Assets (net of depreciation) were \$ 215,169 at December 31, 2021. This was a \$ 105,727 decrease in total capital assets.

Capital Assets, Dec. 31, 2021 (net of depreciation)	2021	2020	Change
Exhaustible collection	\$ 16,641	\$ 23,200	\$ (6,559)
Property and equipment	198,528	297,696	(99,168)
Total Capital Assets	<u>\$ 215,169</u>	<u>\$ 320,896</u>	<u>\$ (105,727)</u>

7) FACTORS BEARING ON THE SYSTEM'S FUTURE:

In 1986, a Cumberland County Library Tax was established by voter referendum. The library tax may only be used for annual operations, not for construction of new building space. The County remits tax proceeds to the library system on a monthly basis. By 2016, the library tax was set at .143 mil, which netted about \$ 3.3 million. On December 5, 2016, the Cumberland County Commissioners approved a modest increase to the library tax from .143 mil to .166 mil, effective January 1, 2017. Growth in the taxpayer base for Cumberland County is expected to slow in 2022.

Additionally, the Cumberland County Commissioners have provided opportunities for Conditional Grants of up to \$ 100,000. The library system received funds from a Conditional Grant for the RFID project in 2021, and the library system anticipates another \$ 100,000 in 2022.

Public Library Subsidy revenue from the Commonwealth of Pennsylvania increased 1.8% in 2016 and was level-funded each year through 2020. In 2020, due to grassroots advocacy efforts and the legislative support of Representative Stan Saylor, Chair Appropriations Committee, the library system saw a 9% increase in state funding. Funding remained flat for 2021, with an expected significant increase to come in 2022.

CUMBERLAND COUNTY LIBRARY SYSTEM

Management's Discussion and Analysis

In 2007, the Cumberland County Library System Foundation Board was incorporated as a separate entity from the library system. It received federal non-profit 501(c)(3) status in 2007. The purpose of the Cumberland County Library System Foundation is to support the Cumberland County Library System and its member libraries. Donations of in the form of Educational Improvement Tax Credits remain a strong part of Foundation gifts. Additional information about its activities may be found at: <http://cclsfoundation.org>.

Interest rates on cash and investment accounts fell significantly in 2021 primarily due to the economic effects of Covid-19. These rates are expected to climb slightly in 2022.

In 2022 the library system will embark on a new strategic plan focusing on the future of Cumberland County's public libraries. County Library Tax and State Public Library Subsidy revenues are expected to remain stable in 2022. The Library System anticipates completion of another \$ 100,000 conditional grants from the County, as well as ARP-LSTA funding in the amount of \$ 79,006.

8) QUESTIONS ABOUT THE LIBRARY SYSTEM'S FINANCIAL MANAGEMENT:

To provide additional accountability for the use of public tax dollars, the Cumberland County Library System files a comprehensive annual report with Commonwealth Libraries each year that reports various financial and service statistics. This document is available from Commonwealth Libraries in Harrisburg, or from the library system headquarters in Carlisle, PA.

If you have questions about this Management Discussion and Analysis, the Commonwealth Libraries annual report, or need additional information, contact the Cumberland County Library System at 400 Bent Creek Boulevard, Suite 150, Mechanicsburg, PA 17050 or by phone at (717) 240-6175.

CUMBERLAND COUNTY LIBRARY SYSTEM
Statement of Net Position and Governmental Fund Balance Sheet
December 31, 2021
(With Summarized Financial Information for December 31, 2020)

	General Fund	Adjustments	Governmental Activities Statement of Net Position	
			2021	2020
Assets				
Current assets				
Cash and cash equivalents	\$ 3,648,718	\$ -	\$ 3,648,718	\$ 4,022,277
Accounts receivable	118,847	-	118,847	175,692
Prepaid items	120,905	-	120,905	41,173
Total current assets	<u>3,888,470</u>	<u>-</u>	<u>3,888,470</u>	<u>4,239,142</u>
Noncurrent assets				
Exhaustible collection (net of accumulated depreciation)	-	16,641	16,641	23,200
Property and equipment (net of accumulated depreciation)	-	198,528	198,528	297,696
Total noncurrent assets	<u>-</u>	<u>215,169</u>	<u>215,169</u>	<u>320,896</u>
Total assets	<u>\$ 3,888,470</u>	<u>\$ 215,169</u>	<u>\$ 4,103,639</u>	<u>\$ 4,560,038</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 49,413	\$ -	\$ 49,413	\$ 40,530
Accrued payroll and benefits	107,597	-	107,597	109,472
Unearned revenue	1,977	-	1,977	481,316
Compensated absences	-	49,946	49,946	51,685
Total current liabilities	<u>158,987</u>	<u>49,946</u>	<u>208,933</u>	<u>683,003</u>
Long-term liabilities				
Compensated absences	-	16,649	16,649	17,228
Total long-term liabilities	<u>-</u>	<u>16,649</u>	<u>16,649</u>	<u>17,228</u>
Total liabilities	<u>158,987</u>	<u>66,595</u>	<u>225,582</u>	<u>700,231</u>
Deferred inflows of resources				
Unavailable tax revenue	<u>34,131</u>	<u>(34,131)</u>	<u>-</u>	<u>-</u>
Total deferred inflow of resources	<u>34,131</u>	<u>(34,131)</u>	<u>-</u>	<u>-</u>
Fund balance/net position				
Fund balance				
Nonspendable fund balance				
Prepaid items	120,905	(120,905)	-	-
Committed fund balance				
125-day contingency	1,545,826	(1,545,826)	-	-
Technology	192,931	(192,931)	-	-
Unassigned fund balance	<u>1,835,690</u>	<u>(1,835,690)</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>3,695,352</u>	<u>(3,695,352)</u>	<u>-</u>	<u>-</u>
Net position				
Net investment in capital assets	-	215,169	215,169	320,896
Unrestricted	-	3,662,888	3,662,888	3,538,911
Total net position	<u>-</u>	<u>3,878,057</u>	<u>3,878,057</u>	<u>3,859,807</u>
Total liabilities and fund balance/net position	<u>\$ 3,888,470</u>	<u>\$ 215,169</u>	<u>\$ 4,103,639</u>	<u>\$ 4,560,038</u>

CUMBERLAND COUNTY LIBRARY SYSTEM
Statement of Activities and Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance
Year Ended December 31, 2021
(With Summarized Financial Information for the Year Ended December 31, 2020)

	General Fund	Adjustments	Governmental Activities Statement of Activities	
			2021	2020
Program expenditures/expenses				
Personnel	\$ 947,802	\$ (2,318)	\$ 945,484	\$ 932,067
Collection	137,602	-	137,602	195,431
Other operating expenditures	497,183	105,727	602,910	505,915
Member library distributions				
State public library subsidy	764,914	-	764,914	797,059
Cumberland County tax	3,011,849	-	3,011,849	2,937,600
Online fines and fees	18,982	-	18,982	15,054
Total expenditures/expenses	<u>5,378,332</u>	<u>103,409</u>	<u>5,481,741</u>	<u>5,383,126</u>
Program revenues				
Operating grants				
State public library subsidy	1,155,158	-	1,155,158	1,155,158
Other grants	103,091	-	103,091	92,539
Other state and county revenue	398	-	398	699
Total program revenues	<u>1,258,647</u>	<u>-</u>	<u>1,258,647</u>	<u>1,248,396</u>
Net program revenue			<u>(4,223,094)</u>	<u>(4,134,730)</u>
General revenues				
Cumberland County tax revenue	4,211,085	387	4,211,472	4,120,244
Interest	5,565	-	5,565	21,256
Donations	1,581	-	1,581	155
Fines	21,834	-	21,834	16,793
Miscellaneous	892	-	892	4,009
Total general revenues	<u>4,240,957</u>	<u>387</u>	<u>4,241,344</u>	<u>4,162,457</u>
Revenues over (under) expenditures/ change in fund balance/net position	121,272	(103,022)	18,250	27,727
Fund balance/net position - beginning of year	<u>3,574,080</u>	<u>285,727</u>	<u>3,859,807</u>	<u>3,832,080</u>
Fund balance/net position - end of year	<u>\$ 3,695,352</u>	<u>\$ 182,705</u>	<u>\$ 3,878,057</u>	<u>\$ 3,859,807</u>

CUMBERLAND COUNTY LIBRARY SYSTEM

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Cumberland County Library System (the "Library System") was created by the County of Cumberland. The Library System has oversight responsibility and acts as a conduit for the distribution of funds to the public libraries located in the County of Cumberland. The Library System receives funding from federal, state and local governmental entities. All operations of the Library System are included in the reporting entity.

Reporting Entity

Governmental Accounting Standards Board (GASB) Statements define the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists; and (4) 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 financial statements to be misleading or incomplete.

The County of Cumberland has evaluated the Library System to determine whether the Library System should be included as a component unit of the County. The Library System is not considered a component unit of the County of Cumberland due to the fact the County is not financially accountable (because it does not have the ability to impose its will or have a financial benefit or burden relationship) even though the County appoints a voting majority of the Organization's governing board.

The Cumberland County Library System Foundation was formed in 2007 for the purpose of supporting projects related to the Library System programs and the libraries of the Library System. The Foundation is not considered a component unit of the Library System for financial reporting purposes.

The Library System's member libraries (Amelia S. Givin Free Library, Bosler Memorial Library, Cleve J. Fredrickson Library, East Pennsboro Branch, John Graham Public Library, Joseph T. Simpson Public Library, New Cumberland Public Library, and Shippensburg Public Library) were evaluated for control by, or dependency on, the Library System to determine whether they should be included in the reporting entity. Control or dependence is demonstrated by selection of governing authority and financial interdependency. The significant factors for excluding the seven (7) member libraries as component units of the Library System are the lack of control or dependency in each case.

Basis of Presentation

The Library System accounts for the funds existing under its jurisdiction with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. The Library System's resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The funds of the Library System are as follows:

CUMBERLAND COUNTY LIBRARY SYSTEM

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund

Governmental Funds are those through which all governmental functions of the Library System are financed. The measurement focus is on determination of changes in financial resources, rather than on net income determination. The fund included in this category is:

General Fund - The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from state and county distributions. This is the only fund of the Library System.

Basis of Accounting

Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Library System. These statements are presented using the accrual basis of accounting.

Fund financial statements (i.e., the statement of governmental fund balance sheet and the statement of governmental fund revenues, expenditures, and changes in fund balances) are provided for the general fund of the Library System. These statements are presented using the modified accrual basis of accounting. Revenues are recognized when measurable and available and expenses are recognized when they are incurred. For this purpose, the County of Cumberland considers tax revenue to be available if collected within 75 days of the end of the calendar year. The Library System has extended the available period from 60 to 75 days to ensure that the reconciliation payment received from the County is included in the applicable fiscal year.

The governmental fund balance sheet includes an adjustment column that displays the difference between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. These differences are detailed below.

Fund balance, Governmental Funds		\$	3,695,352
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the general fund.			
Cost of assets	874,596		
Accumulated depreciation	<u>(659,427)</u>		
			215,169
Taxes receivable are not available to pay current period expenditures and therefore are reported as deferred inflows of resources in the fund financial statements, but are recognized as revenue in the Statement of Activities.			
			34,131
Long-term liabilities are not due and payable in the current period, and therefore are not reported as a liability in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities consist of:			
Compensated absences	<u>(66,595)</u>		
			<u>(66,595)</u>
Net position, Governmental Activities		\$	<u>3,878,057</u>

CUMBERLAND COUNTY LIBRARY SYSTEM

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The governmental fund statement of revenues, expenditures, and changes in fund balance includes an adjustment column that displays the difference between net changes in fund balance - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are detailed below.

Change in fund balance, Governmental Funds	\$	121,272
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Capital outlays are reported in the general fund as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as "depreciation expense". The details of this difference are as follows:

Capital asset purchases	-	
Depreciation expense	(105,727)	
		(105,727)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.

387

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of compensated absences.

2,318

Change in net position, Governmental Activities	\$	18,250
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Budgets

Prior to the beginning of each fiscal year, an annual budget is adopted for the General Fund on a modified accrual basis of accounting. Grant budgets are adopted when the grant agreement requires a budget.

Cash and Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments include any certificates of deposit with an original maturity date of greater than three months.

Accounts Receivable

Accounts receivable are recognized when they are available and measurable. County grants are recorded in the year the revenue is designated by the County.

Capital Assets

These assets result from expenditures in the governmental funds that are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Library System maintains a capitalization threshold of \$ 1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset's life are expensed.

CUMBERLAND COUNTY LIBRARY SYSTEM

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities
Leasehold Improvements	20 years
Exhaustible Collection	7 years
Property and Equipment	3-7 years

Accounts Payable

Accounts payable are recognized when they are incurred and will be paid from current financial resources. Operating expenditures are recorded in the year they are incurred. The Library System's reimbursements are recorded in the year the Library System incurs the expense.

Tax Revenue

The Library System receives monthly payments from Cumberland County representing equal installments of estimated library tax receipts for the current year. An annual reconciliation is performed to equalize County library tax receipts with payments to the Library System. The result of this reconciliation is recorded as either a receivable or payable by the Library System (see related party transaction note). Cumberland County is responsible for the assessment, billing and collection of the library tax.

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 amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Compensated Absences

Liability for compensated absences is accounted for in accordance with the provisions of the GASB, which requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Payments for vacation and sick pay are expensed as paid in the governmental fund financial statements.

Liabilities for unused vacation and sick pay are recorded as expense in the government-wide financial statements as incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library System does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes 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 so will not be recognized as an inflow of resources (revenue) until that time. The Library System does not have any items that qualify for reporting in this category.

Net Position – Government-wide Financial Statements

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of bonds, mortgages, notes, accounts payable or other borrowings that are attributable to the acquisition, construction or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, a portion of that debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted – This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Fund Financial Statements

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long-term amount of loans and notes receivable. This also includes the corpus (or principal) of endowment funds.

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Library System's highest level of decision-making authority, the Library System Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned: This classification includes spendable amounts that are reported in governmental funds, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the Library System's Board, or a subordinate high-level body, such as the Executive Director that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the Library System has authorized the executive director to make assignments of fund balance. Thus, these assignments can be made or changed without formal action by the Board. The assignment of fund balance cannot result in a negative unassigned fund balance.

Unassigned: This classification represents the portion of spendable fund balance that has not been categorized as restricted, committed or assigned. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

CUMBERLAND COUNTY LIBRARY SYSTEM

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Minimum Fund Balance Policy

The Library System strives to maintain a minimum unassigned fund balance of 35 days of the current average General Fund budgeted expenditures (including those amounts budgeted for member distributions) and a minimum committed fund balance of 125 days in the 125-day Contingency Fund. This Contingency Fund was amended during 2016, as it was previously a 90-day Contingency Fund. If the minimum unassigned fund balance of 35 days is not met, this will serve as an authorization “trigger” for the drawdown of the 125-day Contingency Fund.

Fund Balance Flow Assumption

Sometimes the Library System will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The Library System’s policy is to use unassigned resources first, unless the Board has approved use of restricted, committed, or assigned fund balances for certain defined expenditures meeting the classification criteria.

Operations and Concentrations

The Library System received approximately 99% of its total program and general revenues from the Commonwealth of Pennsylvania and Cumberland County for the year ended December 31, 2021. Any reductions in funding could have a significant impact on the Library System.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information at the government-wide level but not by fund level. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Library System's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Pennsylvania Statute Title 16, Paragraph 1706 authorizes the Library System to invest in the following:

- United States Treasury bills.
- Short term obligations of the U.S. Government and Federal agencies.
- Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions.
- General obligations of the Federal Government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision as long as the obligations are backed by the full faith and credit of the respective governmental entity.

CUMBERLAND COUNTY LIBRARY SYSTEM

Notes to Financial Statements

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Library System's deposits may not be returned to it. The Library System does not have a formal policy regarding custodial credit risk for deposits. However, the Library System requires all deposits in excess of FDIC insurance coverage to be collateralized by the depository institution with approved collateral as provided by law. At December 31, 2021, the Library System had deposit balances in the amount of \$ 2,606,798, of which \$ 412,530 was insured by FDIC and \$ 2,194,268 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly. Under this law, financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of Federal Depository Insurance limits. The Library System is exposed to custodial credit risk because the collateral securities held by the bank's agents are not in the Library System's name.

Investments

As of December 31, 2021, the Library System had an investment with a fair value of \$ 1,043,523 held in a PLGIT – Prime account, with a credit quality rating of AAAM. This investment is considered a cash equivalent for financial reporting purposes, as it is a variable investment portfolio.

Credit Risk – Investments

The Library System has no investment policy that would limit its investment choices to certain credit ratings.

Included in cash and cash equivalents in the financial statements are pooled investments in the Pennsylvania Local Government Investment Trust (PLGIT) – Prime. These funds are basically mutual funds that consist of short-term money market instruments and seek to maintain a constant net asset value of \$ 1 per share.

Investments in PLGIT are subject to income, market and credit risk related to the potential for decline in current income, the potential for a decline in market value and the potential that an issuer of securities held in the investment portfolios of the fund would fail to make timely payments of principal and interest payments, respectively.

Policies Followed at PLGIT

PLGIT is not registered with the Securities and Exchange Commission (SEC); however, PLGIT follows investment procedures similar to those followed by SEC registered money market funds. There is no regulatory oversight for the pools which are governed by the Board of Trustees. The Library System's investments at PLGIT are valued at amortized cost, which approximates fair value and is determined by the pool's share price.

The Library System has no limitations or restrictions on withdrawals on accounts held at PLGIT.

CUMBERLAND COUNTY LIBRARY SYSTEM

Notes to Financial Statements

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable and deferred inflows of resources in the fund financial statements consist of the following as of December 31, 2021:

Cumberland County Library Tax - 2021	\$	104,610
Member libraries		<u>14,237</u>
Receivables		118,847
Taxes collected within seventy-five days, recorded as revenue in governmental funds		<u>(84,716)</u>
Taxes collected after seventy-five days, recorded as a deferred inflow of resources in governmental funds	\$	<u>34,131</u>

NOTE 4 CAPITAL ASSETS

Capital asset activity for the System consists of the following for the year ended December 31, 2021:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
<i>Capital assets being depreciated:</i>				
Exhaustible collection				
Cost				
STAR book collection	\$ 51,962	\$ -	\$ (6,051)	\$ 45,911
STAR AV collection	<u>1,007</u>	<u>-</u>	<u>-</u>	<u>1,007</u>
	<u>52,969</u>	<u>-</u>	<u>(6,051)</u>	<u>46,918</u>
Accumulated depreciation				
STAR book collection	(28,762)	(6,559)	6,051	(29,270)
STAR AV collection	<u>(1,007)</u>	<u>-</u>	<u>-</u>	<u>(1,007)</u>
	<u>(29,769)</u>	<u>(6,559)</u>	<u>6,051</u>	<u>(30,277)</u>
Exhaustible collection net of accumulated depreciation	<u>23,200</u>	<u>(6,559)</u>	<u>-</u>	<u>16,641</u>
Property and equipment				
Cost				
Office computers and equipment	13,861	-	-	13,861
Intralibrary network, equipment, hardware and software	<u>833,747</u>	<u>-</u>	<u>(19,930)</u>	<u>813,817</u>
	<u>847,608</u>	<u>-</u>	<u>(19,930)</u>	<u>827,678</u>
Accumulated depreciation				
Office computers and equipment	(13,861)	-	-	(13,861)
Intralibrary network, equipment, hardware and software	<u>(536,051)</u>	<u>(99,168)</u>	<u>19,930</u>	<u>(615,289)</u>
	<u>(549,912)</u>	<u>(99,168)</u>	<u>19,930</u>	<u>(629,150)</u>
Property and equipment net of accumulated depreciation	<u>297,696</u>	<u>(99,168)</u>	<u>-</u>	<u>198,528</u>
Total capital assets being depreciated, net	<u>\$ 320,896</u>	<u>\$ (105,727)</u>	<u>\$ -</u>	<u>\$ 215,169</u>

CUMBERLAND COUNTY LIBRARY SYSTEM

Notes to Financial Statements

NOTE 5 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended December 31, 2021 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
Governmental activities						
Compensated absences	\$ 68,913	\$ 57,274	\$ (59,592)	\$ 66,595	\$ 49,946	\$ 16,649
Total	<u>\$ 68,913</u>	<u>\$ 57,274</u>	<u>\$ (59,592)</u>	<u>\$ 66,595</u>	<u>\$ 49,946</u>	<u>\$ 16,649</u>

Compensated Absences

All Library System employees are employed by the County of Cumberland. The County pays all payroll and related items, which the Library System reimburses the County for the Library System's portion each month. In accordance with County of Cumberland policies, the Library System's full-time employees may accumulate unused vacation time, up to a maximum of 225 hours, payable upon termination. Employees may not accumulate compensatory or sick time. The County renders a monthly bill for wages, benefits and related expenses.

NOTE 6 FUND BALANCE

The Library System has the following committed fund balances which represent internal commitments for specific purposes on the use of a portion of fund balance.

125-Day Contingency

The purpose is to have funds available to replace unexpected shortfalls in budgeted income or to meet unexpected, yet necessary, expenditures. In the past, funding received from outside sources has been delayed, which results in the unassigned fund balance to fall below the minimum unassigned fund balance. The Library System approves the use of contingency funds to replace other funding that may be delayed to ensure that the administrative office and member libraries have sufficient funding to operate. Once the regular funding is received, the 125-Day Contingency Fund shall be replenished. The 125-Day Contingency is based on 125 days of average General Fund budgeted expenditures, including those amounts budgeted for member library distributions. Any income derived from the 125-Day Contingency may be budgeted for library system operating purposes as approved by the Library System Board.

Technology

The purpose is for future upgrades, enhancements or replacements of the Library System's county-wide hardware and software resources. The Library System maintains a long-range technology replacement plan that is based on a five year life cycle for most computer equipment. Amounts placed in Technology are budgeted annually by the Library System Board and are based on the long-term plans. Any income derived from the Technology may be budgeted for library system operating purposes as approved by the Library System Board.

CUMBERLAND COUNTY LIBRARY SYSTEM

Notes to Financial Statements

NOTE 7 RELATED PARTY TRANSACTIONS

While the Library System is not considered a component unit of the County of Cumberland, the Library System employees are employed by Cumberland County. The County provides payroll and benefits services on behalf of Library System staff, which totaled \$ 947,742 for 2021, for which the Library System reimbursed the County. There is \$ 106,832 due to the County for payroll related expenditures at December 31, 2021.

All full-time employees of the Library System are required to participate in the County of Cumberland Retirement Plan, a single employer defined benefit pension plan covered by County Pension Law, Act 96 of 1971, of the General Assembly of the Commonwealth of Pennsylvania, as amended (The Act). In addition, Library System employees working more than 1,000 hours per year are required to defer a minimum of 5% of their salary to fund the pension plan. The plan is included in the County of Cumberland financial statements and details of the plan and historical trend information is maintained by the County.

The Library System is also part of the Cumberland County Postemployment Benefit Plan. It is a single-employer plan that covers health insurance benefits where County retirees and their beneficiaries may continue to participate in the County's health coverage. The County's health coverage is provided through an insurance company. The plan is included in the County of Cumberland financial statements and details of the plan and historical trend information is maintained by the County.

NOTE 8 RISK MANAGEMENT

The Library System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County of Cumberland maintains commercial insurance coverage, including directors' and officers' liability, covering each of those risks of loss on behalf of the Library System. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Library System. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

NOTE 9 OPERATING LEASES

The Library System has entered into a noncancelable long-term operating lease for the rental of office space with the following future minimum payments:

	Building
2022	\$ 97,749
2023	99,704
2024	101,698
2025	103,732
2026	105,807
2027-2029	245,660
	<u>\$ 754,350</u>

Total rent expense for the year ended December 31, 2021 was \$ 95,833.

CUMBERLAND COUNTY LIBRARY SYSTEM

Notes to Financial Statements

NOTE 10 COMMITMENTS AND CONTINGENCIES

The Library System signed a contract in 2013 for software, services, hosting and all server related functions totaling \$ 550,444. On December 31, 2020, the Library System signed an agreement to extend these services for an additional three-year contract period totaling \$ 245,400, for a total contract of \$ 795,844. Total costs incurred as of December 31, 2021 totaled \$ 629,838, leaving \$ 166,006 that will be paid as annual subscription fees.

During the normal course of performing its duties to the general public which it serves, the Library System is subject to potential lawsuits and complaints. At December 31, 2021, there were no claims that management feels would have a material effect on the Library System's financial position.

The Library System participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and review by the grantor agencies; therefore, any findings or adjustments by the grantor agencies could have an effect on the Library System.

In December 2019, the Library System signed a contract for the purchase of new radio frequency identification (RFID) technology. The cost of the new system is projected to be \$ 224,885. In addition, total ongoing maintenance costs are projected to be \$ 98,725. The expected total cost of the agreement is \$ 323,610. Total costs incurred as of December 31, 2021 totaled \$ 158,260, leaving \$ 165,350 to be paid in future years.

NOTE 11 RISKS AND UNCERTAINTIES

The COVID-19 outbreak in the United States of America and around the world has caused business disruption through mandated and voluntary closings of many businesses throughout our community. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and extent of the economic impact. Therefore, it is reasonable to expect that some of the Library System's revenue sources could be impacted, however, the degree of such impact is uncertain at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CUMBERLAND COUNTY LIBRARY SYSTEM
Budgetary Comparison Schedule - General Fund (Unaudited)
Year Ended December 31, 2021

	Budget		General Fund Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Program revenues				
Operating grants				
State public library subsidy	\$ 1,155,158	\$ 1,155,158	\$ 1,155,158	\$ -
Other local grants	3,000	3,000	103,091	100,091
Other state and county revenue	-	-	398	398
Total program revenues	<u>1,158,158</u>	<u>1,158,158</u>	<u>1,258,647</u>	<u>100,489</u>
General revenues				
Cumberland County tax revenue	4,140,700	4,140,700	4,211,085	70,385
Interest	6,915	6,915	5,565	(1,350)
Donations	180	180	1,581	1,401
Fines	24,000	24,000	21,834	(2,166)
Miscellaneous	<u>1,300</u>	<u>1,300</u>	<u>892</u>	<u>(408)</u>
Total general revenues	<u>4,173,095</u>	<u>4,173,095</u>	<u>4,240,957</u>	<u>67,862</u>
Total revenues	<u>5,331,253</u>	<u>5,331,253</u>	<u>5,499,604</u>	<u>168,351</u>
Program expenditures				
Personnel	941,560	941,560	947,802	(6,242)
Collection	266,081	266,081	137,602	128,479
Other operating expenditures	634,454	634,454	497,183	137,271
Member library distributions				
State public library subsidy	764,946	764,946	764,914	32
Cumberland County tax	3,011,849	3,011,849	3,011,849	-
Online fines and fees	<u>20,760</u>	<u>20,760</u>	<u>18,982</u>	<u>1,778</u>
Total expenditures	<u>5,639,650</u>	<u>5,639,650</u>	<u>5,378,332</u>	<u>261,318</u>
Change in fund balance	<u>\$ (308,397)</u>	<u>\$ (308,397)</u>	<u>\$ 121,272</u>	<u>\$ 429,669</u>

OTHER SUPPLEMENTARY INFORMATION

CUMBERLAND COUNTY LIBRARY SYSTEM
Detailed Budgetary Comparison Schedule - General Fund
Year Ended December 31, 2021

	Final Budget	Actual	Variance
Revenues			
Program revenues			
State public library subsidy	\$ 1,155,158	\$ 1,155,158	\$ -
Other grants	3,000	103,091	100,091
Other state and county revenue	-	398	398
Total program revenues	<u>1,158,158</u>	<u>1,258,647</u>	<u>100,489</u>
General revenues			
Cumberland county tax revenue	4,140,700	4,211,085	70,385
Interest	6,915	5,565	(1,350)
Donations	180	1,581	1,401
Fines	24,000	21,834	(2,166)
Miscellaneous	<u>1,300</u>	<u>892</u>	<u>(408)</u>
Total general revenues	<u>4,173,095</u>	<u>4,240,957</u>	<u>67,862</u>
Total revenues	<u>5,331,253</u>	<u>5,499,604</u>	<u>168,351</u>
Expenditures			
Personnel			
Wages	755,780	741,915	13,865
Benefits			
FICA-employer	43,200	55,970	(12,770)
Unemployment-employer	504	3,432	(2,928)
Worker's compensation	96	98	(2)
Health insurance	94,488	92,896	1,592
Life and Disability insurance	5,028	5,104	(76)
Retirement	<u>42,464</u>	<u>48,387</u>	<u>(5,923)</u>
Total personnel expenditures	<u>941,560</u>	<u>947,802</u>	<u>(6,242)</u>
Collection			
Books	5,500	5,602	(102)
Periodicals and newspapers	907	1,338	(431)
Audio visual	-	250	(250)
Electronic information and internet services	120,266	43,410	76,856
Library supplies	<u>139,408</u>	<u>87,002</u>	<u>52,406</u>
Total collection expenditures	<u>266,081</u>	<u>137,602</u>	<u>128,479</u>

CUMBERLAND COUNTY LIBRARY SYSTEM
Detailed Budgetary Comparison Schedule - General Fund (Continued)
Year Ended December 31, 2021

	Final Budget	Actual	Variance
Expenditures (Continued)			
Other operating expenditures			
Office			
Office supplies	\$ 2,150	\$ 2,153	\$ (3)
Automation supplies	5,600	-	5,600
Furniture and equipment	1,000	82	918
Postage and delivery	19,616	24,688	(5,072)
Printing	3,500	1,886	1,614
Photocopier supplies & service	729	1,381	(652)
Computer equipment			
Hardware	65,942	12,618	53,324
Software	213,834	134,306	79,528
Office hardware and software maintenance	950	50	900
Automation hardware maintenance	38,541	6,854	31,687
Automation software maintenance	41,443	23,267	18,176
Occupancy			
Building maintenance	9,949	9,643	306
Rent	95,370	95,833	(463)
Insurance	1,095	595	500
Telecommunications			
General office	6,600	6,305	295
Automation system	56,080	102,873	(46,793)
Public relations	2,271	1,050	1,221
Programming			
Staff training	-	3,500	(3,500)
Movie licensing USA	-	573	(573)
One Book One Community	-	1,545	(1,545)
STEM	4,712	-	4,712
Contracted services			
Database	8,100	24,490	(16,390)
Consultant	10,000	2,252	7,748
Audit and Accounting	16,420	15,054	1,366
Other miscellaneous operating			
Dues and memberships	4,825	4,679	146
Reimbursable expenses	-	-	-
Cost of raising money and miscellaneous	10,900	13,885	(2,985)
Staff travel and training			
Travel	6,140	5,112	1,028
Continuing education	8,687	2,124	6,563
Interest	-	385	(385)
Total other operating expenditures	<u>634,454</u>	<u>497,183</u>	<u>137,271</u>

CUMBERLAND COUNTY LIBRARY SYSTEM**Detailed Budgetary Comparison Schedule - General Fund (Continued)****Year Ended December 31, 2021**

	Final Budget	Actual	Variance
Expenditures (Continued)			
Member library distributions			
State public library subsidy			
Amelia S. Givin	\$ 53,626	\$ 53,626	\$ -
Bosler	139,200	139,200	-
Cleve J. Fredrickson	213,532	213,532	-
John Graham	38,970	38,970	-
Joseph T. Simpson	162,595	162,595	-
New Cumberland	71,586	71,586	-
Shippensburg	85,405	85,405	-
Other	32	-	32
Total state public library subsidy	764,946	764,914	32
Cumberland County tax			
Amelia S. Givin	211,152	211,152	-
Bosler	548,101	548,101	-
Cleve J. Fredrickson	840,783	840,783	-
John Graham	153,443	153,443	-
Joseph T. Simpson	640,219	640,219	-
New Cumberland	281,869	281,869	-
Shippensburg	336,282	336,282	-
Total Cumberland County tax	3,011,849	3,011,849	-
Member library distributions			
Online fines and fees	20,760	18,982	1,778
Total expenditures	5,639,650	5,378,332	261,318
Change in fund balance	\$ (308,397)	\$ 121,272	\$ 429,669