

Audited  
Financial  
Statements

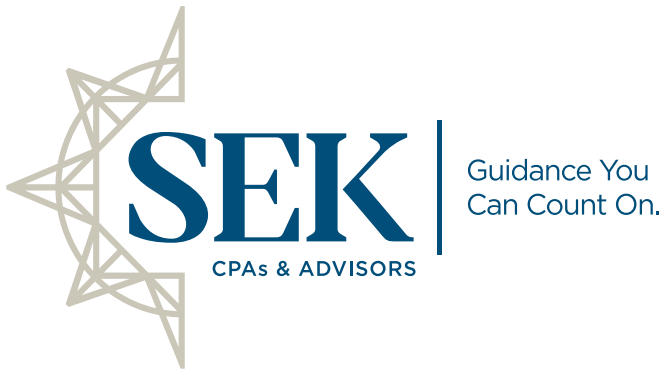
December 31,  
2022

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# Cumberland County Library System

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Cumberland County Library System  
Carlisle, Pennsylvania

### ***OPINIONS***

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, 2022, 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, 2022, 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 Responsibilities 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 2021 financial statements, and we have expressed unmodified audit opinions on those audited financial statements in our report dated September 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 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 25 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  
June 3, 2024

# CUMBERLAND COUNTY LIBRARY SYSTEM

## Management's Discussion and Analysis

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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, 2022. 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 2022 Activities***

In 2022, the Library System headquarters' office focused on several initiatives:

- 1. Secured a Microsoft 365 Tenant:** The County government, who previously ran the email system for all member libraries and the library system, had to cut the library system from their network for licensing reasons. The library system successfully purchased, migrated and maintained a new email tenant and domain, and provided a secure cyber environment.
- 2. Doubled system-wide bandwidth:** The library system's wide-area network increased from 1000 mbps to 2000 mbps at a reduced rate of approximately \$ 3,000. Fifty-seven percent (57%) of the cost was covered by ERate funds. The library system also switched Erate funding from reduced bills to lump payment after repeated issues with the vendor.

## CUMBERLAND COUNTY LIBRARY SYSTEM

### Management's Discussion and Analysis

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3. **Absorbed merchant processing fees:** The library system simplified billing processes and reduced costs to member libraries by absorbing all charges by credit card companies for online payment of fees and fines.
4. **Strengthened partnerships with community and social service agencies and area schools:** Member libraries and the library system took a strategic approach to working with County human services departments, attending meetings and reshaping services to meet their needs especially for access to meeting rooms and programming for their clientele. Efforts to partner with schools resulted in an improved area of the website for kids, teens, parents and caregivers as well as efforts to partner with schools to allow eBook sharing and access to library cards for digital services.
5. **Replaced all public computers:** The library system replaced 71 public computers.
6. **Distribution of American Rescue Plan funds:** American Rescue Plan funds were approved and distributed through the Office of Commonwealth Libraries for several projects, customized by library. Each member library received up to \$ 5,000 in equipment and reimbursement costs; remaining funds were applied to system-wide projects:
  - \$ 38,631 to cover costs associated with eBooks and eAudiobooks from OverDrive, Kanopy films, online databases, and indirect costs.
  - \$ 19,100 to purchase and install AWE computers for early literacy support, spine label printers for expedite local library material processing, and charging stations for our library customers.
  - \$ 15,000 for the purchase of additional book carts and to install water bottle filling stations to replace/convert water fountains.
  - \$ 3,300 to take services outdoors and into the community through take-and-make kits.
7. **County recovery funds of \$ 1,107,295 awarded directly to 6 member libraries:**
  - Bosler Library: \$ 150,000 toward a project that will create outdoor programming space and to expand access to the library's 29 S. West St. building.
  - Coy Library of Shippensburg: \$ 78,252 to support a multiphase project to its outdoor meeting and program space.
  - Fredricksen Library: \$ 79,843 to create a courtyard for outdoor children's programming and additional infrastructure improvements.
  - John Graham Library: \$ 200,000 toward the building of a 30x60 foot addition to the rear of the building.
  - New Cumberland: \$ 280,350 to improve building safety, reduce repair and maintenance costs, and increase access to and the capacity for public services.
  - Simpson Library: \$ 318,850 to acquire and renovate the building at 45 W. Allen Street.

## CUMBERLAND COUNTY LIBRARY SYSTEM

### Management's Discussion and Analysis

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8. **Launched GO Cumberland! Program:** A summer-long physical activity initiative was developed through a partnership between Cumberland County library System and WellSpan Health. Children and parents/guardians were challenged to get outdoors and be physically active by engaging in an adaption of letterboxing with a literacy component. 2,474 children varying in age from birth to 18 registered for the program. 135 program participants successfully located all 15 anchors and walked a minimum of 18.3 miles each. The total number of miles walked by all reporting participants was calculated at 6,807 miles. A combined 1,827,787 books were read over the summer through GO! Cumberland and the 2022 summer learning program registration.
9. **Revised solicitations guidelines:** Solicitations guidelines for member libraries were rewritten, and the language about solicitations removed from the CCLS Policy Manual (it was previously written to state it was not a policy.)
10. **Circulation of Materials:** Cardholders borrowed more than 1.8 million items in 2022 from Cumberland County's public libraries. This was a slight increase over 2021.
11. **Bridging the Digital Divide:** Citizens logged on to the library system's public Internet computers nearly 62,000 times. In addition, citizens used the library system's Wi-Fi services almost 50,000 times. With a total increase in computer and Wi-Fi use of 19% over 2021, continued the need for public internet access to remain a priority.
12. **Safe, Welcoming Gathering Spaces:** Library visits and program attendance greatly increased in 2022. Member libraries saw over 800,000 visitors (an 18% increase over 2021) and 7,519 program attendees (a 54.5% increase over 2021).

In addition to these 2022 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 2022, 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.

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 2022, the library system's web site was visited more than 1,161,735 times —a 10% increase from the prior year.

All 71 public computers were replaced in 2022.



## CUMBERLAND COUNTY LIBRARY SYSTEM

### Management's Discussion and Analysis

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- 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 2022, the Collections Management department put a pause on using outsourced cataloging solution (Baker & Taylor Customized Library Services – CLS) for support due to no heavy ordering periods. The department head for this area retired in October 2022, leaving the staff under the leadership of the Executive Director for 2 months.

In 2022, the following work results were accomplished:

- 24,769 items were received (a 4% increase from 2021),
- 14,141 titles were cataloged (a 15.5% increase from 2021),
- 25,322 items were added to bibliographic records (a 37.8% increase from 2021),
- 25,468 items were delivered to member libraries (an 8% increase from 2021), and
- Turn-around time remained under 10 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 2022, the number of library card holders (102,837) decreased from the previous year due to a large cleanup of expired library cards brought into the Sierra system in 2014.
- 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, \$ 4,246,189 in county funding, \$ 25,499 in fine and fee revenue, \$ 85,052 in fundraising and grants, and \$ 31,723 in investment revenue. \$ 3,959,876 was distributed to member libraries. This was 4.23% more than the previous year. Between October and November 2022 there was a change-over in staff for the position of Financial Specialist.
- 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 2022, 201 staff recorded 512.75 learning hours. This significant increase was due to the opening up of libraries post COVID-19 closures.

# CUMBERLAND COUNTY LIBRARY SYSTEM

## Management's Discussion and Analysis

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6. **Advancement:** To facilitate funding to the Foundation, and support fundraising for the member libraries, one staff member supported Advancement efforts in 2022. A total of 418 grants were researched, 119 of which were a match, and full proposals were written and submitted. Of those, 50 were funded directly to member libraries or the Library System Foundation. Among these were 4 ARP grants.
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. The coordinator increased the volunteer network to 80 volunteers in 2022. The library system provided 77 homebound readers with library materials, including large print, audiobooks, and video recordings. The library system also provided large print book deposit collections to 19 nursing homes, senior centers, assisted and independent living residences in the county. In 2022, the number of items borrower (8,094) by homebound individuals reflected a 112% increase which was primarily due to the access restrictions to libraries and care facilities being lifted post COVID-19 closures.

### 2) FINANCIAL HIGHLIGHTS:

In 2022, the library system's total revenues were \$ 5,554,776 which is an increase of \$ 55,172 or 1.0% from the prior year. Total expenditures were \$ 5,647,570, an increase of \$ 269,238 or 5.01% from the prior year. The change in fund balance was (\$ 92,794).

### 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
- 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.

**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Management's Discussion and Analysis**

**4) CONDENSED COMPARATIVE FINANCIAL STATEMENTS**

Statement of Net Position	Amount		Percentage	
	2022	2021	2022	2021
<b>Assets</b>				
Current Assets	\$ 3,812,567	\$ 3,888,470	96%	95%
Noncurrent assets	148,806	215,169	4%	5%
<b>Total Assets</b>	<b>\$ 3,961,373</b>	<b>\$ 4,103,639</b>	<b>100%</b>	<b>100%</b>
<b>Liabilities</b>				
Current liabilities	\$ 236,947	\$ 208,933	93%	93%
Long-term liabilities	17,302	16,649	7%	7%
<b>Total Liabilities</b>	<b>\$ 254,249</b>	<b>\$ 225,582</b>	<b>100%</b>	<b>100%</b>
<b>Net Position</b>				
Net investment in capital assets	\$ 148,806	\$ 215,169	4%	6%
Unrestricted	3,558,318	3,662,888	96%	94%
<b>Total Net Position</b>	<b>\$ 3,707,124</b>	<b>\$ 3,878,057</b>	<b>100%</b>	<b>100%</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 3,961,373</b>	<b>\$ 4,103,639</b>		

Statement of Activities	Amount		Percentage	
	2022	2021	2022	2021
<b>Revenues</b>				
<b>Program Revenues</b>				
State Funds	\$ 1,155,158	\$ 1,155,158	21%	21%
Grants	85,052	103,091	2%	2%
Other program funds	427	398	0%	0%
<b>Total Program Revenues</b>	<b>1,240,637</b>	<b>1,258,647</b>	<b>23%</b>	<b>23%</b>
<b>General Revenues</b>				
County tax revenue	4,246,189	4,211,472	77%	78%
Interest	31,723	5,565	1%	0%
Donations	887	1,581	0%	0%
Fines (Online Payments)	25,499	21,834	0%	0%
Miscellaneous and other	674	892	0%	0%
<b>Total General Revenues</b>	<b>4,304,972</b>	<b>4,241,344</b>	<b>77%</b>	<b>77%</b>
<b>Total Revenues</b>	<b>5,545,609</b>	<b>5,499,991</b>	<b>100%</b>	<b>100%</b>
<b>Program Expenses</b>				
Wages and benefits	938,756	945,484	16%	17%
Collection	190,642	137,602	3%	3%
Other operating	627,268	602,910	11%	11%
Member library distributions	3,959,876	3,795,745	69%	69%
<b>Total expenses</b>	<b>5,716,542</b>	<b>5,481,741</b>	<b>100%</b>	<b>100%</b>
<b>Change in Net Position</b>	<b>\$ (170,933)</b>	<b>\$ 18,250</b>		

**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Management's Discussion and Analysis**

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**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, 2022, its assets stood at \$ 3,812,567, which is a decrease compared to the prior year's \$ 4,103,639. Much of this is due to the decrease in the county receivable.

**BUDGETARY ANALYSIS:**

**Revenues**

Overall, the library system's total revenues were \$ 5,554,776, an increase of \$ 55,172 compared to the prior year. This increase was the result of county funding increases and grant funding.

**Expenditures**

Overall, the library system's total expenditures of \$ 5,647,570, an increase of \$ 269,238 from the prior year. Some wages and benefits increased due to personnel changes 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 \$ 3,602,558.
- The library system carried over a \$ 1,733,417 Unassigned Fund Balance for its 2022 operating budget cash flow needs.

**6) CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY:**

Total Capital Assets (net of depreciation) were \$ 148,806 at December 31, 2022. This was a \$ 66,363 decrease in total capital assets.

<b>Capital Assets, Dec. 31, 2022 (net of depreciation)</b>	<b>2022</b>	<b>2021</b>	<b>Change</b>
Exhaustible collection	\$ 10,988	\$ 16,641	\$ (5,653)
Property and equipment	137,818	198,528	(60,710)
Total Capital Assets	<u>\$ 148,806</u>	<u>\$ 215,169</u>	<u>\$ (66,363)</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.

Additionally, the Cumberland County Commissioners have provided opportunities for Conditional Grants of up to \$ 100,000. The library system will receive funds from a Conditional Grant for the RFID project in February 2023.

## **CUMBERLAND COUNTY LIBRARY SYSTEM Management's Discussion and Analysis**

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Public Library Subsidy revenue from the Commonwealth of Pennsylvania increased 1.8% in 2016 and was level-funded each year through 2020. In 2021, 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. Currently the library system anticipates level funding at the state level for the foreseeable future.

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 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 increased significantly in 2022.

### **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, 2022**  
**(With Summarized Financial Information for December 31, 2021)**

	General Fund	Adjustments	Governmental Activities Statement of Net Position	
			2022	2021
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 3,636,947	\$ -	\$ 3,636,947	\$ 3,648,718
Accounts receivable	45,236	-	45,236	118,847
Prepaid items	130,384	-	130,384	120,905
Total current assets	<u>3,812,567</u>	<u>-</u>	<u>3,812,567</u>	<u>3,888,470</u>
Noncurrent assets				
Exhaustible collection (net of accumulated depreciation)	-	10,988	10,988	16,641
Property and equipment (net of accumulated depreciation)	-	137,818	137,818	198,528
Total noncurrent assets	<u>-</u>	<u>148,806</u>	<u>148,806</u>	<u>215,169</u>
Total assets	<u>\$ 3,812,567</u>	<u>\$ 148,806</u>	<u>\$ 3,961,373</u>	<u>\$ 4,103,639</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 71,877	\$ -	\$ 71,877	\$ 49,413
Accrued payroll and benefits	101,068	-	101,068	107,597
Unearned revenue	12,100	-	12,100	1,977
Compensated absences	-	51,902	51,902	49,946
Total current liabilities	<u>185,045</u>	<u>51,902</u>	<u>236,947</u>	<u>208,933</u>
Long-term liabilities				
Compensated absences	-	17,302	17,302	16,649
Total long-term liabilities	<u>-</u>	<u>17,302</u>	<u>17,302</u>	<u>16,649</u>
Total liabilities	<u>185,045</u>	<u>69,204</u>	<u>254,249</u>	<u>225,582</u>
<b>Deferred inflows of resources</b>				
Unavailable tax revenue	24,964	(24,964)	-	-
Total deferred inflow of resources	<u>24,964</u>	<u>(24,964)</u>	<u>-</u>	<u>-</u>
<b>Fund balance/net position</b>				
Fund balance				
Nonspendable fund balance				
Prepaid items	130,384	(130,384)	-	-
Committed fund balance				
125-day contingency	1,545,826	(1,545,826)	-	-
Technology	192,931	(192,931)	-	-
Unassigned fund balance	1,733,417	(1,733,417)	-	-
Total fund balance	<u>3,602,558</u>	<u>(3,602,558)</u>	<u>-</u>	<u>-</u>
Net position				
Net investment in capital assets	-	148,806	148,806	215,169
Unrestricted	-	3,558,318	3,558,318	3,662,888
Total net position	<u>-</u>	<u>3,707,124</u>	<u>3,707,124</u>	<u>3,878,057</u>
Total liabilities and fund balance/net position	<u>\$ 3,812,567</u>	<u>\$ 148,806</u>	<u>\$ 3,961,373</u>	<u>\$ 4,103,639</u>

**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Statement of Activities and Governmental Fund Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**Year Ended December 31, 2022**  
**(With Summarized Financial Information for the Year Ended December 31, 2021)**

	General Fund	Adjustments	Governmental Activities Statement of Activities	
			2022	2021
<b>Program expenditures/expenses</b>				
Personnel	\$ 936,147	\$ 2,609	\$ 938,756	\$ 945,484
Collection	190,642	-	190,642	137,602
Other operating expenditures	560,905	66,363	627,268	602,910
Member library distributions				
State public library subsidy	764,914	-	764,914	764,914
Cumberland County tax	3,150,423	-	3,150,423	3,011,849
Online fines and fees	21,551	-	21,551	18,982
Collection development grant pass-through	22,988	-	22,988	-
Total expenditures/expenses	<u>5,647,570</u>	<u>68,972</u>	<u>5,716,542</u>	<u>5,481,741</u>
<b>Program revenues</b>				
Operating grants				
State public library subsidy	1,155,158	-	1,155,158	1,155,158
Other grants	85,052	-	85,052	103,091
Other state and county revenue	427	-	427	398
Total program revenues	<u>1,240,637</u>	<u>-</u>	<u>1,240,637</u>	<u>1,258,647</u>
Net program revenue			<u>(4,475,905)</u>	<u>(4,223,094)</u>
<b>General revenues</b>				
Cumberland County tax revenue	4,255,356	(9,167)	4,246,189	4,211,472
Interest	31,723	-	31,723	5,565
Donations	887	-	887	1,581
Fines	25,499	-	25,499	21,834
Miscellaneous	674	-	674	892
Total general revenues	<u>4,314,139</u>	<u>(9,167)</u>	<u>4,304,972</u>	<u>4,241,344</u>
Revenues over (under) expenditures/ change in fund balance/net position	(92,794)	(78,139)	(170,933)	18,250
Fund balance/net position - beginning of year	<u>3,695,352</u>	<u>182,705</u>	<u>3,878,057</u>	<u>3,859,807</u>
Fund balance/net position - end of year	<u>\$ 3,602,558</u>	<u>\$ 104,566</u>	<u>\$ 3,707,124</u>	<u>\$ 3,878,057</u>

# CUMBERLAND COUNTY LIBRARY SYSTEM

## Notes to Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### ***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**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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	\$ 3,602,558
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the general fund.	
Cost of assets	803,614
Accumulated depreciation	(654,808)
	148,806
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.	
	24,964
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	(69,204)
	(69,204)
Net position, Governmental Activities	\$ 3,707,124

**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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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	\$	(92,794)
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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	14,729		
Depreciation expense	<u>(81,092)</u>		(66,363)

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.			(9,167)
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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.			<u>(2,609)</u>
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Change in net position, Governmental Activities	\$	<u>(170,933)</u>
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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**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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:

	<b>Governmental Activities</b>
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.

***Leases***

The Library System adopted Governmental Accounting Standards Board (GASB 87), Leases, in the current year. However, after evaluation of the lease agreements, it was determined that none of the leases met the definition to be recorded as a lease.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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.

***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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Balance – Governmental Fund Financial Statements (Continued)***

**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.

***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, 2022. Any reductions in funding could have a significant impact on the Library System.

# CUMBERLAND COUNTY LIBRARY SYSTEM

## Notes to Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### ***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, 2021, from which the summarized information was derived.

### NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

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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.

#### ***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, 2022, the Library System had deposit balances in the amount of \$ 2,675,694, of which \$ 468,214 was insured by FDIC and \$ 2,207,480 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, 2022, the Library System had an investment with a fair value of \$ 1,061,581 held in a PLGIT – Prime account, with a credit quality rating of AAAM.

#### ***Credit Risk – Investments***

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

**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Notes to Financial Statements**

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**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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***Investments (Continued)***

**Credit Risk – Investments (Continued)**

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.

**NOTE 3 ACCOUNTS RECEIVABLE**

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Accounts receivable and deferred inflows of resources in the fund financial statements consist of the following as of December 31, 2022:

Cumberland County Library Tax - 2022	\$	42,949
Member libraries		<u>2,287</u>
Receivables		45,236
Taxes collected within seventy-five days, recorded as revenue in governmental funds		<u>(20,272)</u>
Taxes collected after seventy-five days, recorded as a deferred inflow of resources in governmental funds	\$	<u><u>24,964</u></u>

**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Notes to Financial Statements**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the System consists of the following for the year ended December 31, 2022:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
<i>Capital assets being depreciated:</i>				
<b>Exhaustible collection</b>				
Cost				
STAR book collection	\$ 45,911	\$ -	\$ -	\$ 45,911
STAR AV collection	1,007	-	-	1,007
	<u>46,918</u>	<u>-</u>	<u>-</u>	<u>46,918</u>
Accumulated depreciation				
STAR book collection	(29,270)	(5,653)	-	(34,923)
STAR AV collection	(1,007)	-	-	(1,007)
	<u>(30,277)</u>	<u>(5,653)</u>	<u>-</u>	<u>(35,930)</u>
Exhaustible collection net of accumulated depreciation	<u>16,641</u>	<u>(5,653)</u>	<u>-</u>	<u>10,988</u>
<b>Property and equipment</b>				
Cost				
Office computers and equipment	13,861	-	-	13,861
Intralibrary network, equipment, hardware and software	813,817	14,729	(85,711)	742,835
	<u>827,678</u>	<u>14,729</u>	<u>(85,711)</u>	<u>756,696</u>
Accumulated depreciation				
Office computers and equipment	(13,861)	-	-	(13,861)
Intralibrary network, equipment, hardware and software	(615,289)	(75,439)	85,711	(605,017)
	<u>(629,150)</u>	<u>(75,439)</u>	<u>85,711</u>	<u>(618,878)</u>
Property and equipment net of accumulated depreciation	<u>198,528</u>	<u>(60,710)</u>	<u>-</u>	<u>137,818</u>
Total capital assets being depreciated, net	<u>\$ 215,169</u>	<u>\$ (66,363)</u>	<u>\$ -</u>	<u>\$ 148,806</u>

**NOTE 5 LONG-TERM LIABILITIES**

The changes in long-term liabilities during the year ended December 31, 2022 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
Governmental activities						
Compensated absences	\$ 66,595	\$ 59,393	\$ (56,784)	\$ 69,204	\$ 51,902	\$ 17,302
Total	<u>\$ 66,595</u>	<u>\$ 59,393</u>	<u>\$ (56,784)</u>	<u>\$ 69,204</u>	<u>\$ 51,902</u>	<u>\$ 17,302</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.



# CUMBERLAND COUNTY LIBRARY SYSTEM

## Notes to Financial Statements

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### NOTE 6 FUND BALANCE

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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.

### NOTE 7 RELATED PARTY TRANSACTIONS

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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 \$ 936,147 for 2022, for which the Library System reimbursed the County. There is \$ 97,440 due to the County for payroll related expenditures at December 31, 2022.

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.

## **CUMBERLAND COUNTY LIBRARY SYSTEM**

### **Notes to Financial Statements**

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#### **NOTE 8 RISK MANAGEMENT**

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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 COMMITMENTS AND CONTINGENCIES**

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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, 2022 totaled \$ 711,714, leaving \$ 84,230 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, 2022, 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 \$ 222,671. In addition, total ongoing maintenance costs are projected to be \$ 75,290. The expected total cost of the agreement is \$ 297,961. Total costs incurred as of December 31, 2022 totaled \$ 223,381, leaving \$ 74,580 to be paid in future years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Budgetary Comparison Schedule - General Fund (Unaudited)**  
**Year Ended December 31, 2022**

	Budget		General Fund Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Program revenues</b>				
Operating grants				
State public library subsidy	\$ 1,155,158	\$ 1,155,158	\$ 1,155,158	\$ -
Other local grants	81,506	81,506	85,052	3,546
Other state and county revenue	-	-	427	427
Total program revenues	<u>1,236,664</u>	<u>1,236,664</u>	<u>1,240,637</u>	<u>3,973</u>
<b>General revenues</b>				
Cumberland County tax revenue	4,260,000	4,260,000	4,255,356	(4,644)
Interest	5,404	5,404	31,723	26,319
Donations	540	540	887	347
Fines	21,960	21,960	25,499	3,539
Miscellaneous	801	801	674	(127)
Total general revenues	<u>4,288,705</u>	<u>4,288,705</u>	<u>4,314,139</u>	<u>25,434</u>
Total revenues	<u>5,525,369</u>	<u>5,525,369</u>	<u>5,554,776</u>	<u>29,407</u>
<b>Program expenditures</b>				
Personnel	1,052,099	1,052,099	936,147	115,952
Collection	160,855	160,855	190,642	(29,787)
Other operating expenditures	624,571	624,571	560,905	63,666
Member library distributions				
State public library subsidy	764,913	764,913	764,914	(1)
Cumberland County tax	3,099,149	3,099,149	3,150,423	(51,274)
Online fines and fees	17,450	17,450	21,551	(4,101)
Collection development grant pass-through	-	-	22,988	(22,988)
Total expenditures	<u>5,719,037</u>	<u>5,719,037</u>	<u>5,647,570</u>	<u>71,467</u>
Change in fund balance	<u>\$ (193,668)</u>	<u>\$ (193,668)</u>	<u>\$ (92,794)</u>	<u>\$ 100,874</u>

**OTHER SUPPLEMENTARY INFORMATION**

**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Detailed Budgetary Comparison Schedule - General Fund**  
**Year Ended December 31, 2022**

	Final Budget	Actual	Variance
<b>Revenues</b>			
Program revenues			
State public library subsidy	\$ 1,155,158	\$ 1,155,158	\$ -
Other grants	81,506	85,052	3,546
Other state and county revenue	-	427	427
Total program revenues	<u>1,236,664</u>	<u>1,240,637</u>	<u>3,973</u>
General revenues			
Cumberland county tax revenue	4,260,000	4,255,356	(4,644)
Interest	5,404	31,723	26,319
Donations	540	887	347
Fines	21,960	25,499	3,539
Miscellaneous	801	674	(127)
Total general revenues	<u>4,288,705</u>	<u>4,314,139</u>	<u>25,434</u>
Total revenues	<u>5,525,369</u>	<u>5,554,776</u>	<u>29,407</u>
<b>Expenditures</b>			
Personnel			
Wages	823,319	731,135	92,184
Benefits			
FICA-employer	62,984	55,295	7,689
Unemployment-employer	3,600	3,062	538
Worker's compensation	224	172	52
Health insurance	96,990	91,711	5,279
Life and Disability insurance	5,065	4,780	285
Retirement	59,917	49,992	9,925
Total personnel expenditures	<u>1,052,099</u>	<u>936,147</u>	<u>115,952</u>
Collection			
Books	6,280	8,574	(2,294)
Periodicals and newspapers	1,080	1,413	(333)
Audio visual	-	300	(300)
Electronic information and internet services	58,395	106,612	(48,217)
Library supplies	95,100	73,743	21,357
Total collection expenditures	<u>160,855</u>	<u>190,642</u>	<u>(29,787)</u>

**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Detailed Budgetary Comparison Schedule - General Fund (Continued)**  
**Year Ended December 31, 2022**

	Final Budget	Actual	Variance
<b>Expenditures (Continued)</b>			
Other operating expenditures			
Office			
Office supplies	\$ 2,504	\$ 1,545	\$ 959
Automation supplies	-	73	(73)
Furniture and equipment	1,000	771	229
Postage and delivery	26,468	29,098	(2,630)
Printing	1,320	1,712	(392)
Photocopier supplies & service	1,296	1,956	(660)
Computer equipment			
Hardware	124,800	112,268	12,532
Software	145,400	123,036	22,364
Office hardware and software maintenance	2,504	391	2,113
Automation hardware maintenance	12,276	3,520	8,756
Automation software maintenance	9,120	30,496	(21,376)
Occupancy			
Building maintenance	9,900	11,556	(1,656)
Rent	98,230	97,749	481
Insurance	1,175	643	532
Telecommunications			
General office	8,909	5,509	3,400
Automation system	74,148	46,968	27,180
Public relations	1,104	1,817	(713)
Programming			
Staff training	-	(3,500)	3,500
Movie licensing USA	696	652	44
One Book One Community	1,600	1,669	(69)
STEM	-	-	-
Contracted services			
Database	25,693	32,126	(6,433)
Consultant	7,200	9,907	(2,707)
Audit and Accounting	19,079	16,112	2,967
Other miscellaneous operating			
Dues and memberships	5,280	5,323	(43)
Reimbursable expenses	-	-	-
Cost of raising money and miscellaneous	12,694	22,346	(9,652)
Staff travel and training			
Travel	12,525	5,487	7,038
Continuing education	19,650	1,675	17,975
Interest	-	-	-
Total other operating expenditures	<u>624,571</u>	<u>560,905</u>	<u>63,666</u>

**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Detailed Budgetary Comparison Schedule - General Fund (Continued)**  
**Year Ended December 31, 2022**

	Final Budget	Actual	Variance
<b>Expenditures (Continued)</b>			
Member library distributions			
State public library subsidy			
Amelia S. Givin	\$ 53,625	\$ 53,626	\$ (1)
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	-	-	-
Total state public library subsidy	<u>764,913</u>	<u>764,914</u>	<u>(1)</u>
Cumberland County tax			
Amelia S. Givin	217,273	220,868	(3,595)
Bosler	563,988	573,319	(9,331)
Cleve J. Fredrickson	865,153	879,466	(14,313)
John Graham	157,890	160,502	(2,612)
Joseph T. Simpson	658,776	669,675	(10,899)
New Cumberland	290,040	294,839	(4,799)
Shippensburg	<u>346,029</u>	<u>351,754</u>	<u>(5,725)</u>
Total Cumberland County tax	<u>3,099,149</u>	<u>3,150,423</u>	<u>(51,274)</u>
Member library distributions			
Online fines and fees	17,450	21,551	(4,101)
Collection development grant pass-through	<u>-</u>	<u>22,988</u>	<u>(22,988)</u>
Total expenditures	<u>5,719,037</u>	<u>5,647,570</u>	<u>71,467</u>
Change in fund balance	<u>\$ (193,668)</u>	<u>\$ (92,794)</u>	<u>\$ 100,874</u>