

Audited  
Financial  
Statements

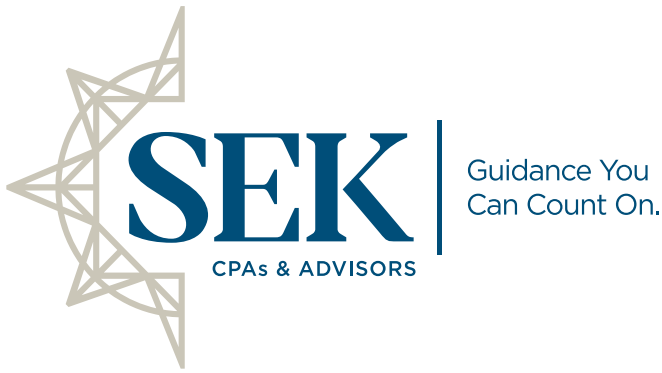
December 31,  
2019

---

# Cumberland County Library System

## **CONTENTS**

	<b>PAGE</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS - REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED</b>	3 - 11
<b>FINANCIAL STATEMENTS</b>	
Statement of net position and governmental fund balance sheet	12
Statement of activities and governmental fund revenues, expenditures, and changes in fund balances	13
Notes to financial statements	14 - 25
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedule – general fund – unaudited	26
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Detailed budgetary comparison schedule – general fund	27 - 30



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Cumberland County Library System  
Carlisle, Pennsylvania

### ***REPORT ON 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, 2019, 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.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Cumberland County Library System, as of December 31, 2019, 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.

## ***Report on Summarized Comparative Information***

We have previously audited the Cumberland County Library System's 2018 financial statements, and we have expressed unmodified audit opinions on those audited financial statements in our report dated June 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***OTHER MATTERS***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 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 30, 2020

# 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, 2019. The MD&A also includes a comparison of current year financial activities to the previous year.

### 1) CUMBERLAND COUNTY LIBRARY SYSTEM BACKGROUND:

The Cumberland County Library System headquarters' mission is to plan, develop, coordinate and provide comprehensive public library services for residents 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 Library 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 Library System also has an independent Cumberland County Library System Foundation that is a nonprofit, tax-exempt organization.

#### ***Overview of 2019 Activities***

In 2019, the Library System headquarters' significant initiatives included:

1. **Circulation of Materials:** Cardholders borrowed more than 2.18 million items in 2019 from Cumberland County's public libraries.
2. **Reading Support for Young Children:** In 2019, children borrowed 948,977 items from Cumberland County's libraries. This was an average of 18.5 items for every child in the county. In addition, over 136,746 kids attended regular infant, toddler and preschool Storytime classes held throughout the year at libraries and 5,772 children registered for the annual summer reading program.

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

---

An outcome-based survey of children who participated found that:

- 72% of children surveyed said that the summer reading program allowed them to learn something new.
  - 84% of children said that as a result of the program they became better readers.
  - 95% of children said that they plan to visit the library again once school starts.
  - 97% of children said they plan to visit the library next summer.
3. **Bridging the Digital Divide:** Citizens logged on to the Library System's public Internet computers 110,747 times. In addition, citizens used the Library System's Wi-Fi services 80,559 times. This reflects a continued need for public internet access.
  4. **Safe, Welcoming Gathering Spaces:** Over one-million people visited Cumberland County's libraries in 2019.

In addition to these 2019 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.

It is important to note that the Library System office was evicted from the space at 1601 Ritner Highway by Cumberland County Facilities in 2019 due to growing needs of the County. A ten-year lease was signed with the Pennsylvania School Board Association for an office suite at 400 Bent Creek Boulevard. Utilities are included in the lease as well as the use of conference room spaces, a large storage area and acquisition of all cubicle furniture. A build-out allowance of \$ 75,000 was provided by the Landlord. It was required that Cumberland County sign the lease and pay the monthly cost. A *Cost and Expense Agreement* was developed to ensure repayment by the Library System.

### Key Service Areas:

1. **Information Technology Services:** To make library and information services widely accessible to Cumberland County residents, the Library System headquarters maintained a high-speed county wide library network. In 2019, 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 Library 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 2019, the system's Public Internet computers were used 110,747 times and the Library System's web site was visited more than 1,174,967 times —a decrease of 1% Public Internet use, and an increase of about 1,000 website visits from the prior year.

## CUMBERLAND COUNTY LIBRARY SYSTEM

### Management's Discussion and Analysis

---

2. **Collection Management Services:** To provide library users with access to collections and materials, the Library 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 2019, 30,349 items were cataloged, added, processed and delivered to member libraries – a 9.77% increase from the previous year.
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 and outreach services.
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 \$ 1,058,036 in state funding, \$ 4,054,456 in county funding, \$ 23,893 in fine and fee revenue, \$ 128,260 in fundraising and grants, and \$ 73,432 in investment revenue. \$ 3,611,488 was distributed to member libraries. This was .75% more than the previous year.
5. **Training Services for Staff and Board Members:** To meet the ongoing training needs of member library staff, the Library System headquarters provided a system-wide training program for staff that emphasized customer service. As part of its training program, it also maintained an Intranet website to support staff and board member activities. In 2019, 330 staff recorded 1,062.75 learning hours.
6. **Advancement:** To facilitate funding to the Foundation, and support fundraising for the member libraries, one staff member supported Advancement. A total of 229 grants were researched, 166 of which were a match, and full proposals were written and submitted. Of those, 33 were funded for a total of \$ 49,706 – a 13.2% increase over the previous year.
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. Through a county wide network of 70 volunteers, the Library System provided homebound readers with library materials, including large print, audiobooks, and video recordings. The Library System headquarters also provided large print book deposit collections to 53 nursing homes, senior centers, assisted and independent living residences in the county. In 2019, the number of items borrowed (9,881 items) by homebound individuals reflected at 5.5% increase.

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

**2) COSTS BY KEY SERVICE AREA FINANCIAL DISTRIBUTION:**

The Library System's costs are distributed based on the expenses related to the service provided. Increases to technology costs resulted due to changing Internet needs during the office relocation, as well as increasing the security and mobile access to our website. Direct services to libraries increased due to the cost of moving the administrative office and the addition of two new database resources: Kanopy streaming films and tutor.com. Decreases in training costs and services to the homebound – despite a \$ 5,000 grant for outreach – resulted in lowered expenses.

<b>Library System Office Key Service Areas</b>	<b>Description</b>	<b>2019</b>	<b>% of Exp.</b>	<b>2018</b>	<b>% of Exp.</b>	<b>% Inc. or Dec.</b>	<b>Costs Include</b>
Information Technology Services	Provides member libraries with a county wide 300-PC network plus library management software for circulation, cataloging, online public access catalogs and public computing services.	\$ 688,135	39.43%	\$ 610,634	40.00%	-0.57%	Staff costs, hardware/software upgrades, maintenance and telecommunications costs
Collection Management Services	Provides member libraries with 'back-office' support for the purchase of library materials, cataloging and processing of materials.	\$ 357,648	20.49%	\$ 358,013	24.00%	-3.51%	Staff costs and bibliographic database support fees
Direct Library Services for the Public	Provides county residents and taxpayers with a free library card to use public library services throughout Cumberland County, both online and in person.	\$ 329,848	18.90%	\$ 237,096	16.00%	2.90%	Online databases, Internet, library supplies, library delivery, printing, programming
Administrative & Financial Support	Provides library service planning, coordination and evaluation, bookkeeping, policy development, advocacy and public relations.	\$ 147,101	8.43%	\$ 46,173	3.00%	5.43%	Staff, staff training, mileage reimbursement and professional services
Training Services for Staff & Board Members	Provides county wide training for new and existing library staff, with an emphasis on maintaining and improving technology skills.	\$ 79,009	4.53%	\$ 111,465	7.00%	-2.47%	Staff, professional collection and training materials, staff development and workshop fees
Fundraising Services	Provides support for library fund raising and development	\$ 78,404	4.49%	\$ 75,075	5.00%	-0.51%	Staff, dues, mileage, software



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

Library System Office Key Service Areas	Description	2019	% of Exp.	2018	% of Exp.	% Inc. or Dec.	Costs Include
Homebound and Nursing Home Services	Provides free selection and delivery of library materials to about home-bound Cumberland County seniors and senior facilities.	\$ 65,146	3.73%	\$ 69,083	5.00%	-1.27%	Staff, large print and audio library materials
<b>Subtotal System Office Services</b>		<b>\$ 1,745,291</b>	<b>100%</b>	<b>\$ 1,507,538</b>	<b>100%</b>		

**3) FINANCIAL HIGHLIGHTS:**

In 2019, the Library System's total revenues were \$ 5,290,821 which is a decrease of 4.9% from prior year. Total expenses were \$ 5,433,764, an increase of \$ 255,956 or 4.2% from the prior year. The change in net position was a decrease of \$ 142,943 as compared to an increase of \$ 348,098 for the prior budget year.

The fund balance as of December 31, 2019 is \$ 3,620,016 and was comprised of four components:

- 1. 125-Day Contingency Fund Balance of \$ 1,679,416:** 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 \$ 1,734,983:** 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 23% of the Library System's total operating expenditures – an indicator of sound financial practices.
- 4. Non-spendable fund balance of \$ 12,686:** This fund represents a contractual service prepayment.

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

---

**4) 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 Library 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 Library 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.

**5) CONDENSED COMPARATIVE FINANCIAL STATEMENTS**

Statement of Net Position	Amount		Percentage	
	2019	2018	2019	2018
<b>Assets</b>				
Current Assets	\$ 3,931,950	\$ 3,848,487	95%	91%
Noncurrent assets	228,321	360,825	5%	9%
<b>Total Assets</b>	<b>\$ 4,160,271</b>	<b>\$ 4,209,312</b>	<b>100%</b>	<b>100%</b>
<b>Liabilities</b>				
Current liabilities	\$ 315,691	\$ 222,890	96%	95%
Long-term liabilities	12,700	11,398	4%	5%
<b>Total Liabilities</b>	<b>\$ 328,391</b>	<b>\$ 234,288</b>	<b>100%</b>	<b>100%</b>
<b>Net Position</b>				
Net investment in capital assets	199,702	360,825	5%	9%
Unrestricted	3,632,178	3,614,199	95%	91%
<b>Total Net Position</b>	<b>\$ 3,831,880</b>	<b>\$ 3,975,024</b>	<b>100%</b>	<b>100%</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 4,160,271</b>	<b>\$ 4,209,312</b>		

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

Statement of Activities	Amount		Percentage	
	2019	2018	2019	2018
<b>Revenues</b>				
<b>Program Revenues</b>				
State Funds	\$ 1,058,036	\$ 1,058,037	20%	19%
Grants	118,300	104,700	2%	2%
Other program funds	695	398	0%	0%
<b>Total Program Revenues</b>	<b>1,177,031</b>	<b>1,163,135</b>	<b>25%</b>	<b>25%</b>
<b>General Revenues</b>				
County tax revenue	4,053,586	3,992,078	77%	72%
Interest	73,432	59,829	1%	1%
Donations	9,960	323,911	0%	6%
Fines (Online Payments)	23,893	20,690	0%	0%
Miscellaneous and other	(47,081)	19	(1%)	0%
<b>Total General Revenues</b>	<b>4,113,790</b>	<b>4,396,527</b>	<b>75%</b>	<b>75%</b>
<b>Total Revenues</b>	<b>5,290,821</b>	<b>5,559,662</b>	<b>100%</b>	<b>100%</b>
<b>Program Expenses</b>				
Wages and benefits	935,231	870,317	17%	17%
Collection	262,308	185,203	5%	4%
Other operating	624,737	586,924	11%	11%
Member library distributions	3,611,488	3,569,120	66%	68%
<b>Total expenses</b>	<b>5,433,764</b>	<b>5,211,564</b>	<b>100%</b>	<b>100%</b>
<b>Change in Net Position</b>	<b>\$ (142,943)</b>	<b>\$ 348,098</b>		

**6) 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, 2019, its assets stood at \$ 4,160,271.

The Library System headquarters completed the year with an Unassigned Fund Balance of \$ 1,734,783. This is 32% of the Library System's total operating expenditures or 3.9 months of regular general fund operating expenditures. The Government Finance Officers Association recommends a minimum of two months of regular general fund operating expenditures.<sup>1</sup> This would have been \$ 890,605 in 2019.

In addition, the Library System headquarters had a fully funded 125-day Contingency Fund Balance of \$ 1,679,416. 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.

<sup>1</sup> 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 \$ 5,339,257, a decrease of \$ 217,560 compared to the prior year. This decrease was the result of additional technology expenses and the grant funds that obtained in 2019.

#### *Expenditures*

Overall, the Library System's total expenditures of \$ 5,343,618 increased 5.3% or \$ 266,960 from the prior year. Wages and benefits increased due to personnel changes, collection expenditures, continuing education and increases to member library distributions. The Library System also incurred expenditures related to relocating from 1601 Ritner Highway, Carlisle to 400 Bent Creek Boulevard, Mechanicsburg.

#### *Fund Balance*

- The Library System Board maintained the balance of \$ 1,679,416 in the 125 Contingency Fund.
- The Library System carried over a \$ 1,734,983 Unassigned Fund Balance for its 2020 operating budget cash flow needs.
- The Library System also carried over \$ 12,686 non-spendable funds.
- The Library System carried over a \$ 192,931 technology fund.

### 7) CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY:

Total Capital Assets (net of depreciation) were \$ 228,321 at December 31, 2019.

<b>Capital Assets, Dec. 31, 2019 (net of depreciation)</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Exhaustible collection	\$ 29,909	\$ 28,972	\$ 937
Property and equipment	198,412	331,852	(133,440)
Total Capital Assets	<u>\$ 228,321</u>	<u>\$ 360,824</u>	<u>\$ (132,503)</u>

### 8) 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. A taxpayer base increase yielded \$ 79,581 of additional library tax support. The taxpayer base for Cumberland County is expected to grow 1% in 2020.

Public Library Subsidy revenue from the Commonwealth of Pennsylvania increased 1.8% in 2016 and was level-funded each year through 2019 with an increase anticipated in 2020.

## **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. In 2019, the Foundation received \$ 64,412 in gifts, donations and grants. This was a \$ 20,654. increase from 2018. 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>.

### **9) QUESTIONS ABOUT THE LIBRARY SYSTEM'S FINANCIAL MANAGEMENT:**

To provide additional accountability for the use of public tax dollars, the 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, 2019**  
**(With Summarized Financial Information for December 31, 2018)**

	General Fund	Adjustments	Governmental Activities Statement of Net Position	
			2019	2018
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 3,827,647	\$ -	\$ 3,827,647	\$ 3,747,964
Accounts receivable	57,074	34,543	91,617	89,613
Prepaid items	<u>12,686</u>	<u>-</u>	<u>12,686</u>	<u>10,910</u>
Total current assets	<u>3,897,407</u>	<u>34,543</u>	<u>3,931,950</u>	<u>3,848,487</u>
Noncurrent assets				
Exhaustible collection (net of accumulated depreciation)	-	29,909	29,909	28,973
Property and equipment (net of accumulated depreciation)	<u>-</u>	<u>198,412</u>	<u>198,412</u>	<u>331,852</u>
Total noncurrent assets	<u>-</u>	<u>228,321</u>	<u>228,321</u>	<u>360,825</u>
Total assets	<u>\$ 3,897,407</u>	<u>\$ 262,864</u>	<u>\$ 4,160,271</u>	<u>\$ 4,209,312</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 178,755	\$ -	\$ 178,755	\$ 106,979
Accrued payroll and benefits	98,636	-	98,636	81,718
Compensated absences	<u>-</u>	<u>38,100</u>	<u>38,100</u>	<u>34,193</u>
Total current liabilities	<u>277,391</u>	<u>38,100</u>	<u>315,491</u>	<u>222,890</u>
Long-term liabilities				
Compensated absences	<u>-</u>	<u>12,700</u>	<u>12,700</u>	<u>11,398</u>
Total long-term liabilities	<u>-</u>	<u>12,700</u>	<u>12,700</u>	<u>11,398</u>
Total liabilities	<u>277,391</u>	<u>50,800</u>	<u>328,191</u>	<u>234,288</u>
<b>Fund balance/net position</b>				
Fund balance				
Nonspendable fund balance				
Prepaid items	12,686	(12,686)	-	-
Committed fund balance				
125-day contingency	1,679,416	(1,679,416)	-	-
Technology	192,931	(192,931)	-	-
Unassigned fund balance	<u>1,734,983</u>	<u>(1,734,983)</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>3,620,016</u>	<u>(3,620,016)</u>	<u>-</u>	<u>-</u>
Net position				
Net investment in capital assets	-	199,702	199,702	360,825
Unrestricted	<u>-</u>	<u>3,632,378</u>	<u>3,632,378</u>	<u>3,614,199</u>
Total net position	<u>-</u>	<u>3,832,080</u>	<u>3,832,080</u>	<u>3,975,024</u>
Total liabilities and fund balance/net position	<u>\$ 3,897,407</u>	<u>\$ 262,864</u>	<u>\$ 4,160,271</u>	<u>\$ 4,209,312</u>

**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Statement of Activities and Governmental Fund Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**Year Ended December 31, 2019**  
**(With Summarized Financial Information for the Year Ended December 31, 2018)**

	General Fund	Adjustments	Governmental Activities Statement of Activities	
			2019	2018
<b>Program expenditures/expenses</b>				
Personnel	\$ 930,022	\$ 5,209	\$ 935,231	\$ 870,317
Collection	269,748	(7,440)	262,308	185,203
Other operating expenditures	532,360	92,377	624,737	586,924
Member library distributions				
State public library subsidy	700,603	-	700,603	700,602
Cumberland County tax	2,834,100	-	2,834,100	2,813,400
MOU Conditional Grant distribution	42,500	-	42,500	38,750
Online fines and fees	18,685	-	18,685	16,368
EITC	15,600	-	15,600	5,600
Total expenditures/expenses	<u>5,343,618</u>	<u>90,146</u>	<u>5,433,764</u>	<u>5,217,164</u>
<b>Program revenues</b>				
Operating grants				
State public library subsidy	1,058,036	-	1,058,036	1,058,037
Other grants	102,700	-	102,700	101,500
Other state and county revenue	695	-	695	398
EITC	15,600	-	15,600	8,800
Total program revenues	<u>1,177,031</u>	<u>-</u>	<u>1,177,031</u>	<u>1,168,735</u>
Net program revenue			<u>(4,256,733)</u>	<u>(4,048,429)</u>
<b>General revenues</b>				
Cumberland County tax revenue	4,054,456	(870)	4,053,586	3,992,078
Interest	73,432	-	73,432	59,829
Donations	9,960	-	9,960	323,911
Fines	23,893	-	23,893	20,690
Miscellaneous	485	-	485	19
Gain (loss) on sale of capital assets	-	(47,566)	(47,566)	-
Total general revenues	<u>4,162,226</u>	<u>(48,436)</u>	<u>4,113,790</u>	<u>4,396,527</u>
Revenues over (under) expenditures/ change in fund balance/net position	(4,361)	(138,582)	(142,943)	348,098
Fund balance/net position - beginning of year	<u>3,624,377</u>	<u>350,646</u>	<u>3,975,023</u>	<u>3,626,925</u>
Fund balance/net position - end of year	<u>\$ 3,620,016</u>	<u>\$ 212,064</u>	<u>\$ 3,832,080</u>	<u>\$ 3,975,023</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.

	<b>December 31, 2019</b>
Fund balance, Governmental Funds	\$ 3,620,016
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the general fund.	
Cost of assets	728,566
Accumulated depreciation	(500,245)
	228,321
Taxes receivable are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the fund financial statements.	
	34,543
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	(50,800)
	(50,800)
Net position, Governmental Activities	\$ 3,832,080

**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.

	<b>December 31, 2019</b>
Change in fund balance, Governmental Funds	\$ (4,361)
<p>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:</p>	
Capital asset purchases	51,203
Depreciation expense	(136,140)
	(84,937)
<p>In the statement of activities, only the gain on the sale of capital assets is reported, whereas in governmental funds, the proceeds from the sale increases other financing sources. Thus, the change in net position differs from the changes in fund balance by the undepreciated cost of the capital assets disposed of.</p>	
	(47,566)
<p>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.</p>	
	(870)
<p>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.</p>	
	(5,209)
Change in net position, Governmental Activities	\$ (142,943)

***Reclassification of Prior Year Financial Statements***

Certain reclassifications have been made to the prior year summarized financial statements in order to remain consistent with current year classifications.

***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.

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

---

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

---

***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.

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.

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

---

***Compensated Absences (Continued)***

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.

***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.

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

---

***Net Position – Government-wide Financial Statements (Continued)***

**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.

**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 97% of its total program and general revenues from the Commonwealth of Pennsylvania and Cumberland County for the year ended December 31, 2019. 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, 2018, 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, 2019, the Library System had deposit balances in the amount of \$ 2,802,352, of which \$ 500,000 was insured by FDIC and \$ 2,302,352 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, 2019, the Library System had an investment with a fair value of \$ 1,035,974 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 as of December 31, 2019 are as follows:

Cumberland County Library Tax - 2019	\$ 68,999
Member libraries	22,001
Other receivables	<u>617</u>
Receivables - full accrual basis	91,617
Less revenues not received in 75 days	<u>(34,543)</u>
Receivables - modified accrual basis	<u><u>\$ 57,074</u></u>

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the System consists of the following for the year ended December 31, 2019:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
<i>Capital assets being depreciated:</i>				
<b>Exhaustible collection</b>				
Cost				
STAR book collection	\$ 46,460	\$ 7,440	\$ (1,938)	\$ 51,962
STAR AV collection	<u>2,000</u>	<u>-</u>	<u>(993)</u>	<u>1,007</u>
	<u>48,460</u>	<u>7,440</u>	<u>(2,931)</u>	<u>52,969</u>
Accumulated depreciation				
STAR book collection	(17,631)	(6,360)	1,938	(22,053)
STAR AV collection	<u>(1,857)</u>	<u>(143)</u>	<u>993</u>	<u>(1,007)</u>
	<u>(19,488)</u>	<u>(6,503)</u>	<u>2,931</u>	<u>(23,060)</u>
Exhaustible collection net of accumulated depreciation	<u>28,972</u>	<u>937</u>	<u>-</u>	<u>29,909</u>
<b>Property and equipment</b>				
Cost				
Leasehold improvements	215,107	-	(215,107)	-
Office computers and equipment	42,081	-	(28,220)	13,861
Intralibrary network, equipment, hardware and software	<u>771,856</u>	<u>43,763</u>	<u>(153,883)</u>	<u>661,736</u>
	<u>1,029,044</u>	<u>43,763</u>	<u>(397,210)</u>	<u>675,597</u>
Accumulated depreciation				
Leasehold improvements	(134,440)	(44,815)	179,255	-
Office computers and equipment	(32,643)	(1,166)	19,948	(13,861)
Intralibrary network, equipment, hardware and software	<u>(530,109)</u>	<u>(83,656)</u>	<u>150,441</u>	<u>(463,324)</u>
	<u>(697,192)</u>	<u>(129,637)</u>	<u>349,644</u>	<u>(477,185)</u>
Property and equipment net of accumulated depreciation	<u>331,852</u>	<u>(85,874)</u>	<u>(47,566)</u>	<u>198,412</u>
Total capital assets being depreciated, net	<u><u>\$ 360,824</u></u>	<u><u>\$ (84,937)</u></u>	<u><u>\$ (47,566)</u></u>	<u><u>\$ 228,321</u></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, 2019 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
Governmental activities						
Compensated absences	\$ 45,591	\$ 46,544	\$ (41,335)	\$ 50,800	\$ 38,100	\$ 12,700
Total	<u>\$ 45,591</u>	<u>\$ 46,544</u>	<u>\$ (41,335)</u>	<u>\$ 50,800</u>	<u>\$ 38,100</u>	<u>\$ 12,700</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 \$ 930,022 for 2019, for which the Library System reimbursed the County. There is \$ 97,684 due to the County for payroll related expenditures at December 31, 2019.

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:

	<b>Building</b>
2020	\$ 93,954
2021	95,833
2022	97,749
2023	99,704
2024	101,698
2025-2029	455,200
	<u>\$ 944,137</u>

Total rent expense for the year ended December 31, 2019 was \$ 82,336.

**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. Total costs incurred as of December 31, 2019 totaled \$ 477,662, leaving \$ 72,882 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, 2019, 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 \$ 191,100. In addition, total ongoing maintenance costs are projected to be \$ 88,600. The expected total cost of the agreement is \$ 278,700.

**NOTE 11 SUBSEQUENT EVENTS**

---

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, 2019**

	<u>Budget</u>		<u>General Fund Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Program revenues</b>				
Operating grants				
State public library subsidy	\$ 1,058,037	\$ 1,058,037	\$ 1,058,036	\$ (1)
Other local grants	103,500	103,500	102,700	(800)
EITC	-	-	15,600	15,600
Other state and county revenue	500	500	695	195
Total program revenues	<u>1,162,037</u>	<u>1,162,037</u>	<u>1,177,031</u>	<u>14,994</u>
<b>General revenues</b>				
Cumberland County tax revenue	4,020,000	4,020,000	4,054,456	34,456
Interest	49,600	49,600	73,432	23,832
Donations	1,000	1,000	9,960	8,960
Fines	18,000	18,000	23,893	5,893
Miscellaneous	100	100	485	385
Total general revenues	<u>4,088,700</u>	<u>4,088,700</u>	<u>4,162,226</u>	<u>73,526</u>
Total revenues	<u>5,250,737</u>	<u>5,250,737</u>	<u>5,339,257</u>	<u>88,520</u>
<b>Program expenditures</b>				
Personnel	912,425	912,425	930,022	(17,597)
Collection	215,347	244,207	269,748	(25,541)
Other operating expenditures	675,023	646,163	532,360	113,803
Member library distributions				
State public library subsidy	700,603	700,603	700,603	-
Cumberland County tax	2,834,100	2,834,100	2,834,100	-
MOU Conditional Grant distribution	42,500	42,500	42,500	-
Online fines and fees	16,430	16,430	18,685	(2,255)
EITC	-	-	15,600	(15,600)
Total expenditures	<u>5,396,428</u>	<u>5,396,428</u>	<u>5,343,618</u>	<u>52,810</u>
Change in fund balance	<u>\$ (145,691)</u>	<u>\$ (145,691)</u>	<u>\$ (4,361)</u>	<u>\$ 141,330</u>

**OTHER SUPPLEMENTARY INFORMATION**

**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Detailed Budgetary Comparison Schedule - General Fund**  
**Year Ended December 31, 2019**

---

	Final Budget	Actual	Variance
<b>Revenues</b>			
Program revenues			
State public library subsidy	\$ 1,058,037	\$ 1,058,036	\$ (1)
Other grants	103,500	102,700	(800)
EITC	-	15,600	15,600
Other state and county revenue	500	695	195
Total program revenues	<u>1,162,037</u>	<u>1,177,031</u>	<u>14,994</u>
General revenues			
Cumberland county tax revenue	4,020,000	4,054,456	34,456
Interest	49,600	73,432	23,832
Donations	1,000	9,960	8,960
Fines	18,000	23,893	5,893
Miscellaneous	100	485	385
Total general revenues	<u>4,088,700</u>	<u>4,162,226</u>	<u>73,526</u>
Total revenues	<u>5,250,737</u>	<u>5,339,257</u>	<u>88,520</u>
<b>Expenditures</b>			
Personnel			
Wages	712,991	739,328	(26,337)
Benefits			
FICA-employer	53,990	55,479	(1,489)
Unemployment-employer	950	19	931
Worker's compensation	410	15	395
Health insurance	78,115	81,358	(3,243)
Life and Disability insurance	5,365	4,695	670
Retirement	60,604	49,128	11,476
Total personnel expenditures	<u>912,425</u>	<u>930,022</u>	<u>(17,597)</u>
Collection			
Books	6,000	11,158	(5,158)
Periodicals and newspapers	936	1,007	(71)
Audio Visual	-	2,000	(2,000)
Electronic information and internet services	152,501	177,997	(25,496)
Library supplies	84,770	77,586	7,184
Total collection expenditures	<u>244,207</u>	<u>269,748</u>	<u>(25,541)</u>

**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Detailed Budgetary Comparison Schedule - General Fund (Continued)**  
**Year Ended December 31, 2019**

	Final Budget	Actual	Variance
<b>Expenditures (Continued)</b>			
Other operating expenditures			
Office			
Office supplies	\$ 3,300	\$ 3,595	\$ (295)
Furniture and equipment	3,500	790	2,710
Postage and delivery	35,000	16,422	18,578
Printing	8,000	3,537	4,463
Photocopier supplies & service	2,700	3,137	(437)
Computer equipment			
Hardware	144,723	120,804	23,919
Software	86,115	86,857	(742)
Office hardware and software maintenance	950	198	752
Automation hardware maintenance	37,421	12,276	25,145
Automation software maintenance	31,240	42,609	(11,369)
Occupancy			
Building maintenance	17,830	14,849	2,981
Rent	85,760	82,366	3,394
Utilities	5,790	8,713	(2,923)
Insurance	1,090	1,179	(89)
Telecommunications			
General office	7,700	5,199	2,501
Automation system	28,620	34,113	(5,493)
Public relations	5,055	1,304	3,751
Programming			
Summer reading	-	3,200	(3,200)
Trustee	-	686	(686)
Staff	-	3,764	(3,764)
Movie licensing USA	-	3,156	(3,156)
One Book One Community	-	1,307	(1,307)
STEM	14,850	5,000	9,850
Contracted services			
Database	8,750	3,029	5,721
Consultant	15,000	4,026	10,974
Audit and Accounting	15,000	14,668	332
Other miscellaneous operating			
Dues and memberships	5,742	6,020	(278)
Cost of raising money and miscellaneous	9,977	9,859	118
Staff travel and training			
Travel	8,050	6,762	1,288
Continuing education	22,000	12,251	9,749
Relocation	42,000	8,145	33,855
Renovation	-	12,539	(12,539)
Total other operating expenditures	<u>646,163</u>	<u>532,360</u>	<u>113,803</u>



**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Detailed Budgetary Comparison Schedule - General Fund (Continued)**  
**Year Ended December 31, 2019**

	Final Budget	Actual	Variance
<b>Expenditures (Continued)</b>			
Member library distributions			
State public library subsidy			
Amelia S. Givin	\$ 49,264	\$ 49,264	\$ -
Bosler	131,430	131,430	-
Cleve J. Fredrickson	201,173	201,173	-
John Graham	34,046	34,046	-
Joseph T. Simpson	139,473	139,473	-
New Cumberland	64,347	64,347	-
Shippensburg	80,870	80,870	-
Total state public library subsidy	<u>700,603</u>	<u>700,603</u>	<u>-</u>
Cumberland County tax			
Amelia S. Givin	199,283	199,282	1
Bosler	531,663	531,663	-
Cleve J. Fredrickson	813,790	813,790	-
John Graham	137,725	137,725	-
Joseph T. Simpson	564,202	564,202	-
New Cumberland	260,299	260,300	(1)
Shippensburg	327,138	327,138	-
Total Cumberland County tax	<u>2,834,100</u>	<u>2,834,100</u>	<u>-</u>
MOU Conditional Grant distribution			
Amelia S. Givin	2,988	2,988	-
Bosler	7,973	7,973	-
Cleve J. Fredrickson	12,204	12,204	-
John Graham	2,065	2,065	-
Joseph T. Simpson	8,461	8,461	-
New Cumberland	3,903	3,903	-
Shippensburg	4,906	4,906	-
Total MOU Conditional Grant distribution	<u>42,500</u>	<u>42,500</u>	<u>-</u>
EITC distribution			
Amelia S. Givin	-	1,595	(1,595)
Bosler	-	1,500	(1,500)
Cleve J. Fredrickson	-	3,923	(3,923)
John Graham	-	1,194	(1,194)
Joseph T. Simpson	-	4,838	(4,838)
New Cumberland	-	1,576	(1,576)
Shippensburg	-	974	(974)
Total EITC distribution	<u>-</u>	<u>15,600</u>	<u>(15,600)</u>

**CUMBERLAND COUNTY LIBRARY SYSTEM**  
**Detailed Budgetary Comparison Schedule - General Fund (Continued)**  
**Year Ended December 31, 2019**

---

	Final Budget	Actual	Variance
<b>Expenditures (Continued)</b>			
Member library distributions			
Online fines and fees			
Amelia S. Givin	\$ 680	\$ 776	\$ (96)
Bosler	2,500	3,012	(512)
Cleve J. Fredrickson	6,600	7,453	(853)
John Graham	250	268	(18)
Joseph T. Simpson	3,000	4,222	(1,222)
New Cumberland	1,700	1,362	338
Shippensburg	1,700	1,592	108
	<u>16,430</u>	<u>18,685</u>	<u>(2,255)</u>
Total online fines and fees			
	<u>16,430</u>	<u>18,685</u>	<u>(2,255)</u>
Total expenditures	<u>5,396,428</u>	<u>5,343,618</u>	<u>52,810</u>
Change in fund balance	<u>\$ (145,691)</u>	<u>\$ (4,361)</u>	<u>\$ (141,330)</u>