

BUCKS COUNTY FREE LIBRARY
(A Component Unit of Bucks County)

FINANCIAL STATEMENTS and
SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bucks County Free Library
Doylestown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Bucks County Free Library (a nonprofit corporation and a component unit of the County of Bucks) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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 financial position of the Bucks County Free Library as of December 31, 2016, and the respective changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express our opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bucks County Free Library's basic financial statements. The schedule of functional expenses and schedule of revenue and expenses by individual location are presented for the purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 to the financial statements as a whole.

Bee, Bergvall & Co.

Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
February 24, 2017

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

Bucks County Free Library is a special purpose government unit as described in GASB Statement #34. The Library additionally is a not-for-profit organization incorporated as a 501(c)(3) organization; and is registered with the Pennsylvania Bureau of Charitable Organizations to raise funds from the general public. A fiduciary Board of Directors appointed by the Bucks County Commissioners governs the Library.

The objective of the MD&A is to “enhance the understandability and usefulness of the general purpose financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors.” It is a discussion of the Library’s current year results for the year that ended December 31, 2016 with the prior year, placing emphasis on the current year. Please read it in conjunction with the transmittal letter at the front of this report and the Bucks County Free Library’s financial statements which immediately follow this section.

FINANCIAL HIGHLIGHTS (OVERVIEW):

Management believes that the Library System’s financial condition is, at the present time, stable.

- The Library System’s Net Position increased by \$1,185,470 in 2016 due to stable returns in the stock market and \$430,324 from a Keystone grant.
- Operating Revenue during this period increased by \$755,663 from the prior year due to an increased allocation from the County of Bucks for \$145,900 and a Keystone grant for \$430,324. Total Operating and Administrative expenses increased by \$518,101 due to an increase in spending on collection material and replacing outdated furniture and shelving. It should be noted that 2016 expenses included \$1,231,747 of depreciation.
- The Library System’s primary source of revenue is from Bucks County, the total of which represents approximately 57% of the Library System’s total operating revenue for 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: Management’s Discussion and Analysis (MD&A), the basic financial statements, the notes to the financial statements, and supplemental information. This MD&A represents management’s analysis of the Library System’s financial condition and performance. Summary financial statement data and other management tools were utilized for analysis. These financial statements report information about the Library using the full accrual method of accounting as utilized by similar not-for-profits in the private sector. These statements offer short and long-term financial information about its activities.

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Description of the Basic Financial Statements: The Statement of Net Position (Balance Sheet) shows our liabilities and net worth and provides information about the nature and amounts of investments and resources (assets) and the liabilities to the Library creditors at the year-end. It provides the financial position on a full accrual historical cost basis; the Statement of Activities provides details about revenues, expenses, and net position by invested in capital assets and unrestricted. Furthermore, it presents the result of business activities over the course of the fiscal year and how net position has changed during the year. The Statement of Cash Flows reports the sources and uses of cash from operating and investment activities by using the direct method and is designed to provide information about the Library's cash receipts and disbursements during the period. The Notes to the Financial Statements provide required disclosures and other information essential to a full understanding of the material data provided in the financial statements. The notes present information about the Library System's accounting policies, significant accounts and activities, obligations, commitments and subsequent events, if any.

Condensed Comparative Financial Statements

The following chart summarizes the financial position of the Library as of December 31, 2016 and 2015.

Statement of Net Position

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets	\$ 1,810,491	\$ 1,942,052
Investments	10,584,108	10,155,662
Capital Assets, net	<u>3,672,452</u>	<u>2,648,470</u>
Total Assets	<u>\$ 16,067,051</u>	<u>\$ 14,746,184</u>
Liabilities		
Current Liabilities	\$ 426,352	\$ 307,739
Compensated Absences	<u>246,614</u>	<u>229,830</u>
Total Liabilities	<u>672,966</u>	<u>537,569</u>
Net Position		
Net Investment in Capital Assets	3,672,452	2,648,470
Restricted Assets	4,831,015	5,253,394
Unrestricted		
Unrestricted: Board Designated	5,753,093	5,343,272
Unrestricted: Undesignated	<u>1,137,525</u>	<u>963,479</u>
Total Net Position	<u>15,394,085</u>	<u>14,208,615</u>
Total Liabilities and Net Position	<u>\$ 16,067,051</u>	<u>\$ 14,746,184</u>

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

Condensed Comparative Financial Statements (Continued)

The following chart shows the revenues and expenses of the governmental activities for 2016 and 2015.

Statement of Activities

	<u>2016</u>	<u>2015</u>
Operating Revenues		
State and Local Funding	\$ 8,687,306	\$ 8,501,821
Fines and Lost Cards	264,294	283,686
Copy/Printer Income	59,903	58,305
Grants	469,183	75,556
Contributions	753,471	606,034
Miscellaneous	<u>241,292</u>	<u>194,384</u>
Total Operating Revenues	<u>10,475,449</u>	<u>9,719,786</u>
 Operating and Administrative Expenses	 <u>10,053,606</u>	 <u>9,535,505</u>
 Operating Income	 421,843	 184,281
 Nonoperating Revenue		
Interest Income	325,255	327,188
Investment Realized & Unrealized Gains/(Losses)	436,079	(571,584)
Gain on Sale of Asset	<u>2,293</u>	<u>(2,162)</u>
Total Nonoperating Revenue	<u>763,627</u>	<u>(246,558)</u>
 Increase in Net Position	 1,185,470	 (62,277)
 Net Position-Beginning of Year	 <u>14,208,615</u>	 <u>14,270,892</u>
Net Position-End of Year	<u>\$ 15,394,085</u>	<u>\$ 14,208,615</u>

Analysis of Overall Financial Position: Total operating revenues in 2016 were \$10,475,449, an increase over 2015. Bucks County General Fund allocation to Bucks County Free Library revenue was \$6,003,000 in 2016, an increase of \$145,900 from 2015. State Aid to Local Libraries and County Coordination was \$2,239,025, an increase of \$39,585 from 2015. District Library Aid was \$445,281 in 2016, no change from 2015. Together, County and State aid account for 83% of the Library's operating revenues.

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

Condensed Comparative Financial Statements (Continued)

Significant Transactions and Changes in Individual Funds: A payable account was established to capture connectivity and internet access services that were used but not billed during July-December 2016. There were no other significant activities to report in this period.

Budgetary Analysis: Capital project grants and Special Funds income (donation and permanently/temporarily restricted income) were not budgeted as revenue in 2016, but appear in the Schedule of Functional Expenses as expenditures.

Capital Assets and Long-Term Debt: Capital improvements increased \$1,568,115, and included the completion of the Langhorne Branch - Penn's Little Village, window replacements in Bensalem and Yardley/Makefield branches, and new delivery vehicles.

Investments: All investments are restricted either by the donor or the board. This table lists the name of the investment and the restriction:

<u>Investment Name</u>	<u>Restriction</u>
Michener	Doylestown – Designated by donor as Doylestown only. Board designated as interest or percentage of principal only. Library programs, materials, and facilities with a focus on enhancement and enrichment.
Lynaugh and Ross	Doylestown – Designated by donor as Doylestown only and solely for library materials.
Weinberger	Doylestown – Designated by donor as Doylestown only and for facilities, capital or operational expenditures; may be used for library materials.
Mercer	Doylestown – Original documentation not available; has always been Interest Only and used to generally offset Doylestown operation costs.
Melinda Cox	County Wide Staff In-Service Day and Appreciation Awards – Original documentation not available; has always be Interest Only.
Disbrow	Yardley – Designated by donor as Yardley only and solely for business related materials and programs. May be “widely interpreted” to benefit the whole library system, such as county wide databases and programs, but must maintain strong local Yardley focus. Funds administered by outside firm which awards annual amount of interest to BCFL based on their formula.
Bucks County Foundation	Fund established for an additional opportunity for the general public to give to the library mission, without giving directly to the library. Fund administered by outside firm which awards annual amount of interest to BCFL based on their formula.

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

Condensed Comparative Financial Statements (Continued)

Currently Known Facts, Decisions, or Conditions: There were no other known facts, decisions or conditions at this time.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Bucks County Free Library at 150 South Pine Street, Doylestown, Pennsylvania, 18901 or by phone at (215)348-0332.

BUCKS COUNTY FREE LIBRARY

STATEMENT OF NET POSITION

December 31, 2016

ASSETS

	<u>2016</u>
Current Assets	
Cash and Cash Equivalents	\$ 1,640,359
Accounts Receivable	<u>170,132</u>
Total Current Assets	<u>1,810,491</u>
Investments	
Unrestricted	5,753,093
Restricted	1,931,992
Beneficial Interest in Perpetual Trust	<u>2,899,023</u>
Total Investments	<u>10,584,108</u>
Capital Assets	10,260,986
Less Accumulated Depreciation	<u>(6,588,534)</u>
Net Capital Assets	<u>3,672,452</u>
TOTAL ASSETS	<u>\$ 16,067,051</u>

LIABILITIES AND NET POSITION

Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 334,806
Accrued Salaries and Payroll Taxes	<u>91,546</u>
Total Current Liabilities	<u>426,352</u>
Compensated Absences	<u>246,614</u>
Total Liabilities	<u>672,966</u>
Net Position	
Net Investment in Capital Assets	3,672,452
Restricted	4,831,015
Unrestricted	
Unrestricted: Board Designated	5,753,093
Unrestricted: Undesignated	<u>1,137,525</u>
Total Net Position	<u>15,394,085</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 16,067,051</u>

The notes to the financial statements are an integral part of this statement.

BUCKS COUNTY FREE LIBRARY

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	<u>2016</u>
Operating Revenues	
State Aid	\$ 2,684,306
Local	
County of Bucks Aid	6,003,000
Fines and Lost Cards	264,294
Copy/Printer Income	59,903
Grants	469,183
Contributions	753,471
Miscellaneous	<u>241,292</u>
Total Operating Revenues	<u>10,475,449</u>
Operating Expenses	
Program Services	
Library	7,232,815
Pennsylvania Aid	313,849
Technical	1,207,250
Support Services	
Management and General	<u>1,299,692</u>
Total Operating Expenses	<u>10,053,606</u>
Operating Income	<u>421,843</u>
Nonoperating Revenue	
Interest Income	325,255
Investment Realized & Unrealized Gains/(Losses)	436,079
Gain/(Loss) on Sale of Asset	<u>2,293</u>
Total Nonoperating Revenue	<u>763,627</u>
Change in Net Position	1,185,470
Net Position - Beginning of Year	<u>14,208,615</u>
Net Position - End of Year	<u>\$ 15,394,085</u>

The notes to the financial statements are an integral part of this statement.

BUCKS COUNTY FREE LIBRARY

STATEMENT OF CASH FLOWS

December 31, 2016

	<u>2016</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 324,197
Receipts from intergovernmental support	9,156,489
Miscellaneous cash income	241,292
Contributions	753,471
Payments to suppliers	(4,255,696)
Payments to employees	(4,014,730)
Net cash provided by operating activities	<u>2,205,023</u>
Cash flows from (used in) capital and related financing activities:	
Purchase of property and equipment	(2,255,729)
Gain/(loss) on sale of equipment	2,293
Net cash from (used in) capital and related financing activities	<u>(2,253,436)</u>
Cash flows from investing activities:	
Purchase of investments	(973,675)
Sale and maturities of investments	1,049,807
Interest and other income received	325,255
Net cash provided by investing activities	<u>401,387</u>
Net increase (decrease) in cash and cash equivalents	352,974
Cash and cash equivalents, beginning of year	<u>1,355,884</u>
Cash and cash equivalents, end of year	<u>\$ 1,708,858</u>

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

Operating Income	\$ 421,843
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,231,747
(Increase) decrease in:	
Accounts receivable	416,036
Increase (decrease) in:	
Accounts payable and accrued expenses	86,038
Accrued salaries and payroll taxes	32,575
Compensated absences	16,784
Total adjustments	<u>1,783,180</u>
Net cash provided by operating activities	<u>\$ 2,205,023</u>

The notes to the financial statements are an integral part of this statement.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1. Summary of Significant Accounting Principles

Reporting Entity: Bucks County Free Library (Library) is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. The Library consists of seven branches that provide library services to over 275,000 cardholders throughout Bucks County. As a free public library, the Library provides material, information and programs through its network. These resources are available to residents of all ages. The Library is considered a component unit of Bucks County because of the significance of its operational and/or financial relationship with the County.

Accounting Basis: The Library conforms to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB).

The Library's financial statements are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are incurred. The financial statements are presented using the economic resource measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the activity is included on the statement of Net Position. The operating statement presents increases (revenues) and decreases (expenses) in total Net Position.

Revenue Recognition: Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Library. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from nonexchange transactions.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use board discretion as to which resources to use first, restricted or unrestricted, as they are needed for their intended purpose.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial 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 does not have any items that qualify for reporting in this category.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1. Summary of Significant Accounting Principles (Continued)

Deferred Outflows/Inflows of Resources (Continued): 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 does not have any items that qualify for reporting in this category.

Tax Exempt Status: The Library is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. No current tax obligation exists on the Federal or State level. Additionally, the Library has been classified as a Library that is not a private foundation under Section 509(a)(2).

Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contributions: Contributions that are restricted by the donor are reported as increases in unrestricted net position if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net position depending on the nature of the restrictions. When a restriction expires, temporarily restricted net position is reclassified to unrestricted net position.

Functional Expenses: Expenses are allocated to the various programs based on direct charges for those items specifically identified with the respective programs. Other charges are allocated in accordance with appropriate bases.

County Dependency: The primary source of funding for this Library is a contribution from Bucks County. During 2016, the contribution was \$6,003,000 from Library Tax Revenue and \$420,000 from a donation of in-kind rent. The contribution represents approximately 57% of the Library's operating revenues.

Cash and Cash Equivalents: The Library considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Budget: The Library adopts and maintains a yearly budget. The budget is subject to correction and changes during the year at the discretion of the Board of Directors.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1. Summary of Significant Accounting Principles (Continued)

Inventory: The Library does not maintain inventory. Books and periodicals, with useful lives of one year or more, are considered to be capital assets and are depreciated accordingly.

Capital Assets: Betterments and replacements of major assets are capitalized at cost. Maintenance, repairs and minor replacements are expensed. The Library capitalizes all capital asset expenses over \$2,000 with an estimated useful life in excess of one year. Library books, with a useful life extending beyond one year that comprises the Library's collection, are recorded as capital assets. Because of their nature and relevance to the Library's operations; they are capitalized despite individually being below the \$2,000 capitalization threshold.

The cost and accumulated depreciation of property sold or retired are removed from the related assets and accumulated depreciation accounts and the resultant gain or loss is recorded. Depreciation is provided for financial reporting purposes on the straight-line method at rates based on estimated useful lives as follows:

Building and Improvements	39 years
Furniture and Equipment	3 - 7 years
Vehicles	8 years
Library Books and Material	4 years

Restricted Assets: Certain cash and investments have been classified as restricted assets on the statement of net position because of donor imposed restrictions on their use.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their quoted fair values in the statement of net position. Unrealized gains and losses are included in the change in net position. Donated investments are reflected as contributions at their market values at the date of receipt. For the year ended December 31, 2016, all investments were held in certificates of deposit (reported at cost) or mutual funds (reported at market value). Interest earnings, realized gains and losses, and unrealized gains and losses are reported in revenues.

Donated Services: Volunteers periodically donate their time to the Library's program services and fundraising activities. An amount has not been recognized in the accompanying statement of activities for these volunteer efforts because they did not meet the requirements for recognition.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1. Summary of Significant Accounting Principles (Continued)

In-kind Contributions: In addition to cash contributions, the Organization also receives donated facilities. These goods and services are recorded at their estimated fair value at the time of receipt. The County of Bucks provides six library sites free of rent charges. The Pierce Library Association provides the Samuel Pierce Branch Library site at an annual rent of \$1. The corresponding in-kind contributions received for the year ended December 31, 2016 reflected in these financial statements consisted of \$420,000 in donated facilities.

Compensated Absences: The Library's policy permits employees to accumulate unused vacation and sick time. These benefits are payable to employees upon separation of services. All leave time is accrued when incurred in the financial statements. A liability for these amounts is reported. At December 31, 2016, the liability for accrued compensated absences is \$246,614.

Advertising: All advertising costs are expensed when incurred.

Net Position: Net position is presented in classifications as defined as follows:

Net investment in capital asset – consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – these resources are segregated because they represent the funds restricted by the donor.

Unrestricted net position – includes all other amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Subsequent Events: The Library has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 2. Defined Contribution Retirement Plan

The Library offers an open retirement plan for all employees upon employment. Upon completion of one year of service, based on the meaning of the Plan, the Library will match the employee's contribution up to 5% of their compensation and up to 7% after 9 years of service after working 1,000 hours or more. The employees are vested within the plan over a period of five years at which time they become fully vested. If the employee leaves the employ of the Library prior to 100% vesting they will lose the matching portions of the contributions that are not yet vested. Vesting in the plan will occur consistent with the following:

After Year 2: 20% vesting
After Year 3: 40% vesting
After Year 4: 60% vesting
After Year 5: 100% vesting

Contributions to the plan were \$108,914 for the year ended December 31, 2016.

NOTE 3. Cash and Investments

Fair Value Measurements: The Library categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Library has the following recurring fair value measurements as of December 31, 2016 that were all considered Level 1:

<u>Investment Type</u>	<u>Fair Value</u>
Short Term Reserves	\$ 231,332
Common Stocks	3,323,233
Mutual Funds: Domestic Equity	3,526,370
Mutual Funds: Int'l Equity	211,106
Mutual Funds: Fixed Income	2,683,898
Real Estate	184,942
Other	423,227
Total	<u>\$ 10,584,108</u>

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3. Cash and Investments (Continued)

The Library also has nonrecurring fair value measurements as of December 31, 2016. The investment in the external investment pool are recorded at the pool's amortized cost, which approximates fair value. The certificates are deposit are recorded at cost plus accrued interest, which approximates fair value.

Custodial Credit Risk – Deposits. The Library does not have a deposit or investment policy for interest rate risk or custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. At year-end, the amount shown on the statement of net positions was \$1,708,859 and the bank balance was \$2,010,269. Of the bank balance, \$500,000 was covered by bank depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Library's name. At December 31, 2016 the amount in excess of this insurance was \$1,510,269.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of a failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. In accordance with GASB No. 40, *Deposit and Investment Risk Disclosures* the Library is required to disclose the credit quality rating of fixed income securities: The bond mutual funds are not rated by Standard & Poor's.

The Library does not have a deposit or investment policy for concentration of credit risk. More than 5% of the Library's investments are in Wells Fargo Bank and Vanguard. The Wells Fargo investments consisted of 28% of the Library's total investments. The Vanguard investments consisted of 46% of the Library's total investments. The remaining 28% of the Library's total investments are in trust at BB&T Bank.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 4. Capital Assets

Capital Assets consist of the following at December 31:

	<u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2016</u>
Capital Assets Being Depreciated:				
Building Improvements	\$ 2,517,416	\$ 1,403,231	\$ (118,195)	\$ 3,802,452
Furniture and Fixtures	2,380,572	132,582	(1,638,196)	874,958
Vehicles	146,312	35,303	(33,915)	147,700
Library Book Collections	<u>47,536,593</u>	<u>684,613</u>	<u>(42,785,330)</u>	<u>5,435,876</u>
Total Capital Assets	52,580,893	2,255,729	(44,575,636)	10,260,986
Accumulated Depreciation	<u>(49,932,423)</u>	<u>(1,231,747)</u>	<u>44,575,636</u>	<u>(6,588,534)</u>
Net Capital Assets	<u>\$ 2,648,470</u>	<u>\$ 1,023,982</u>	<u>\$ -</u>	<u>\$ 3,672,452</u>

NOTE 5. Operating Leases

The Library leases office equipment under an operating lease agreement which requires a monthly payment in the amount of \$2,618, and expires August 2019. Lease expense under all operating leases, including charges for additional usage, for the year ended December 31, 2016 was \$39,673.

The following is a schedule of future minimum lease payments required under the operating leases as of December 31, 2016:

For the Year	Amount
<u>Ending</u>	<u>Due</u>
2017	\$ 31,416
2018	31,416
2019	<u>26,180</u>
Total	<u>\$ 89,012</u>

NOTE 6. Litigation and Contingencies

During the normal course of performing its duties for the general public which it serves, the Library is subject to potential lawsuits and complaints. At December 31, 2016, there were no claims that management feels would have material effect of the Library's financial position.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7. Restricted Assets

The Library has investments restricted for use either by the donor or by the Board. At December 31, 2016 the purpose restrictions by donors were as follows:

<u>Fund</u>	<u>Restriction</u>	<u>Balance at 12/31/16</u>
Disbrow	Designated by the donor for the Yardley branch and solely for business related materials and programs including county wide databases and programs. The funds are administered by an outside firm which awards an annual amount of interest to BCFL.	\$ 2,899,023
Weinberger	Designated by donor for the Doylestown branch and for facilities capital or operational expenditures including library materials.	175,431
Lynaugh	Designated by donor for the Doylestown branch and solely for library materials.	34,952
Michener	Designated by donor for the Doylestown branch. The Board has designated the interest and a percentage of principal for library programs, materials, and facilities with a focus on enhancement and enrichment.	1,551,733
Ross	Designated by donor for the Doylestown branch and solely for library materials.	64,850
Bucks Cty Foundation	Fund established for an additional opportunity for the general public to give to the Library mission, without giving directly to the Library. Fund administered by outside firm which awards annual amount of interest to BCFL based on their formula.	36,526
EITC Funds	Designated by the donor as part of the Educational Improvement Tax Credit (EITC) program designated for education improvement.	<u>68,500</u>
	Total	<u>\$ 4,831,015</u>

The Library has been designated the income beneficiary of the assets contained in an irrevocable Perpetual Trust being held by an independent investment manager, in accordance with the Last Will and Testament of Hamilton G. Disbrow, Jr. The provision of the trust does not give ownership of any amount of principal to the Library. Further, the Library has no voice in the appointment of the investment manager or their investment decisions. The Library receives only annual income distributions during the fiscal year. Given the nature of the promises, as well as the inability to compute the present value of the perpetual income stream of the trust, the Library recorded \$2,899,023 as a beneficial interest, which is the total fair market value of the principal upon which its income distributions are based as permanently restricted assets.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7. Restricted Assets (Continued)

For the year ended December 31, 2016, the Library received income from the irrevocable trust of \$149,913 which has been included in unrestricted income in accordance with the specifics of the trust in the statement of activities. Also, an increase in the fair value of the beneficial interest of \$204,091 has been recorded as permanently restricted activity for the year ended December 31, 2016 in accordance with the specifics of the trust in the statement of activities.

NOTE 8. Board Designated Net Position

The Board has designated the following funds at December 31, 2016 for the purpose restrictions as follows:

<u>Fund</u>	<u>Board Designation</u>	<u>Balance at 12/31/16</u>
Melinda Cox	These funds will be used for County Wide Staff In-Service Day and Appreciation Awards with interest available as unrestricted funds.	\$ 214,981
Mercer	These funds will be used to offset Doylestown operational costs with interest available as unrestricted funds.	722,121
General Operating Reserve	These funds will support operations in the event of funding delays primarily by the County or State. The minimum amount to be designated as operating reserve will be an amount sufficient to maintain ongoing operations for three (3) months.	2,500,000
Capital Reserve	These funds will be used to cover future capital needs over and above any County allocation. Funds deposited into this account will occur only after the Operating, ILS and Leave Time fund balances have been reached. The balance in this fund is unlimited and will be evaluated against future capital replacement needs.	1,585,991
ILS Replacement Fund	These funds will cover the cost for replacing the Integrated Library System, also known as a Library Management System, which tracks the collection, assists in ordering and bills paid and patron accounts.	500,000
Leave Time Fund	These funds will cover the leave time liability that is recorded in the accounting system.	230,000
	Total	<u>\$ 5,753,093</u>

SUPPLEMENTAL INFORMATION

BUCKS COUNTY FREE LIBRARY

SCHEDULE 1
SCHEDULE OF FUNCTIONAL EXPENSES

December 31, 2016

	<u>Library Services</u>	<u>Digital and Technical</u>	<u>Program Service Total</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 3,129,581	\$ 469,188	\$ 3,598,769	\$ 465,320	\$ 4,064,089
Payroll Taxes and Benefits	<u>722,535</u>	<u>97,859</u>	<u>820,394</u>	<u>138,211</u>	<u>958,605</u>
Total Salaries and Employment Expenses	3,852,116	567,047	4,419,163	603,531	5,022,694
Professional Services	322,763	1,240	324,003	112,595	436,598
Periodical Subscriptions	29,596	-	29,596	-	29,596
Audiovisual/CD Rom Materials	257,208	-	257,208	-	257,208
Electronic Information	592,978	-	592,978	-	592,978
Toys	4,135	-	4,135	-	4,135
Supplies	149,575	-	149,575	20,264	169,839
Printing and Advertising	8,213	1,609	9,822	23,224	33,046
Telecommunications and Telephone	-	113,219	113,219	-	113,219
Utilities	274,884	-	274,884	-	274,884
Building Repairs and Maintenance	133,351	-	133,351	-	133,351
Postage	11,456	-	11,456	15,529	26,985
Travel and Conference	14,864	6,612	21,476	13,150	34,626
Staff Development	16,673	6,298	22,971	29,011	51,982
Lease Expense	-	39,673	39,673	-	39,673
Computer Equipment	2,551	153,952	156,503	-	156,503
Insurance	14,190	700	14,890	3,700	18,590
Technology and Network	40,182	316,900	357,082	6,143	363,225
Equipment Maintenance and Rent	177,900	-	177,900	-	177,900
Vehicle Expense	16,185	-	16,185	-	16,185
Depreciation	1,231,747	-	1,231,747	-	1,231,747
Bank Fees	12,359	-	12,359	48,218	60,577
Dues and Membership	69,889	-	69,889	4,327	74,216
Facility Usage	-	-	-	420,000	420,000
State Aid to Public Libraries	313,849	-	313,849	-	313,849
Total Expenses	<u>\$ 7,546,664</u>	<u>\$ 1,207,250</u>	<u>\$ 8,753,914</u>	<u>\$ 1,299,692</u>	<u>\$ 10,053,606</u>

BUCKS COUNTY FREE LIBRARY

SCHEDULE 2
SCHEDULE OF REVENUES AND EXPENSES
BY INDIVIDUAL LOCATION

December 31, 2016

	<u>Administrative</u>	<u>District Consultant</u>	<u>Information Technology</u>	<u>Facilities</u>	<u>Library Center</u>	<u>Levittown</u>	<u>James A. Michener</u>
Income							
County Funding	\$ 6,003,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Aid	2,684,306	-	-	-	-	-	-
Donations	575,422	700	-	-	13,579	22,776	2,600
Copy/Printer Income	-	-	-	-	11,042	16,731	6,616
Fines	-	-	-	-	84,762	33,002	32,698
Lost Card	-	-	-	-	2,457	1,050	1,027
Lost and Damaged Material	-	-	-	-	8,126	4,008	2,227
Miscellaneous Grants	4,495	33,364	-	-	-	-	-
Miscellaneous Income	-	-	-	-	1,517	297	321
Passport Income	-	-	-	-	-	-	-
Vending Machine Income	-	-	-	-	4,714	-	-
Book Sales	-	-	-	-	6,671	2,292	3,069
Realized/Unrealized Gain (Loss)	-	-	-	-	-	-	-
Interest Income	152,843	-	-	-	-	-	-
Gain (Loss) on Disposal of Asset	-	-	-	-	-	-	-
Meeting Room Income	-	-	-	-	2,814	368	371
Total Income	<u>9,420,066</u>	<u>34,064</u>	<u>-</u>	<u>-</u>	<u>135,682</u>	<u>80,524</u>	<u>48,929</u>
Expenses							
Salaries and Wages	465,320	168,483	469,188	230,388	538,035	342,419	332,783
Payroll Taxes and Benefits	138,211	42,195	97,859	69,164	113,742	89,680	66,920
Professional Services	112,595	18,659	1,240	36,682	64,777	36,010	40,733
Periodical Subscriptions	-	-	-	-	-	-	-
Audiovisual/CD Rom Materials	-	-	-	-	-	-	-
Electronic Information	-	-	-	-	-	-	-
Toys	-	-	-	-	-	-	-
Supplies	20,264	26,308	-	-	13,263	5,333	5,036
Printing and Advertising	23,224	2,142	1,609	2,765	3,256	-	-
Telecommunications and Telephone	-	-	113,219	-	-	-	-
Utilities	-	-	-	(3,469)	78,436	24,933	55,761
Building Repairs and Maintenance	-	-	-	73,146	19,640	7,038	9,331
Postage	15,529	24	-	24	163	-	6
Travel and Conference	13,150	4,339	6,612	3,103	2,799	718	528
Staff Development	29,011	1,618	6,298	1,619	1,328	8,609	963
Lease Expense	-	-	39,673	-	-	-	-
Computer Equipment	-	770	153,952	557	-	-	-
Insurance	3,700	-	700	14,190	-	-	-
Technology and Network	6,143	11,330	316,900	-	-	-	-
Equipment Maintenance and Rent	-	-	-	45,171	11,405	-	108,902
Vehicle Expense	-	-	-	16,185	-	-	-
Depreciation	-	-	-	-	-	-	-
Bank Fees	-	-	-	-	3,535	1,700	1,505
Dues and Membership	4,327	1,230	-	-	-	-	-
Facility Usage	420,000	-	-	-	-	-	-
State Aid to Public Libraries	313,849	-	-	-	-	-	-
Total Expenses	<u>1,565,323</u>	<u>277,098</u>	<u>1,207,250</u>	<u>489,525</u>	<u>850,379</u>	<u>516,440</u>	<u>622,468</u>
Net Income Over (Under) Expenses	<u>\$ 7,854,743</u>	<u>\$ (243,034)</u>	<u>\$ (1,207,250)</u>	<u>\$ (489,525)</u>	<u>\$ (714,697)</u>	<u>\$ (435,916)</u>	<u>\$ (573,539)</u>

<u>Penwood</u>	<u>Samuel Pierce</u>	<u>Yardley Makefield</u>	<u>Bensalem</u>	<u>Capital & Investments</u>	<u>Collection Management</u>	<u>Total</u>	<u>Prior Year</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,003,000	\$ 5,857,100
-	-	-	-	-	-	2,684,306	2,644,721
2,499	3,262	8,023	1,725	122,885	-	753,471	606,034
3,147	4,019	7,565	10,783	-	-	59,903	58,305
17,003	25,239	38,966	25,626	-	-	257,296	275,579
442	551	591	880	-	-	6,998	8,107
995	1,012	2,117	1,978	-	-	20,463	21,086
-	1,000	-	-	430,324	-	469,183	75,556
229	211	372	437	-	-	3,384	5,761
-	-	-	173,415	-	-	173,415	120,180
-	-	-	-	-	-	4,714	5,597
1,096	6,339	12,083	2,486	-	-	34,036	35,825
-	-	-	-	436,079	-	436,079	(571,584)
-	-	-	-	172,412	-	325,255	327,188
-	-	-	-	2,293	-	2,293	-
220	-	451	1,056	-	-	5,280	5,935
<u>25,631</u>	<u>41,633</u>	<u>70,168</u>	<u>218,386</u>	<u>1,163,993</u>	<u>-</u>	<u>11,239,076</u>	<u>9,475,390</u>
226,967	194,016	324,517	312,755	-	459,218	\$ 4,064,089	\$ 3,991,668
39,725	35,612	69,909	67,738	-	127,850	958,605	936,441
39,240	18,862	31,374	32,289	-	4,137	436,598	477,684
-	-	-	-	-	29,596	29,596	30,193
-	-	-	-	-	257,208	257,208	236,544
-	-	-	-	-	592,978	592,978	587,231
-	-	-	-	-	4,135	4,135	9,245
14,867	3,281	8,500	9,360	-	63,627	169,839	149,111
50	-	-	-	-	-	33,046	5,484
-	-	-	-	-	-	113,219	92,409
37,328	35,122	22,840	23,933	-	-	274,884	293,837
4,849	4,080	7,333	7,934	-	-	133,351	132,090
5	-	-	3,216	-	8,018	26,985	27,276
337	137	254	384	-	2,265	34,626	36,438
168	148	1,048	1,023	-	149	51,982	67,391
-	-	-	-	-	-	39,673	41,814
-	-	751	368	-	105	156,503	100,360
-	-	-	-	-	-	18,590	18,455
-	-	-	-	-	28,852	363,225	216,377
351	-	9,633	2,438	-	-	177,900	66,306
-	-	-	-	-	-	16,185	21,408
-	-	-	-	1,231,747	-	1,231,747	1,165,050
1,254	1,371	1,552	1,442	48,218	-	60,577	21,061
-	-	-	-	-	68,659	74,216	74,216
-	-	-	-	-	-	420,000	420,000
-	-	-	-	-	-	313,849	313,849
<u>365,141</u>	<u>292,629</u>	<u>477,711</u>	<u>462,880</u>	<u>1,279,965</u>	<u>1,646,797</u>	<u>10,053,606</u>	<u>9,531,938</u>
<u>\$ (339,510)</u>	<u>\$ (250,996)</u>	<u>\$ (407,543)</u>	<u>\$ (244,494)</u>	<u>\$ (115,972)</u>	<u>\$ (1,646,797)</u>	<u>\$ 1,185,470</u>	<u>\$ (56,548)</u>