

**CUMBERLAND COUNTY
LIBRARY SYSTEM**

ANNUAL
FINANCIAL
REPORT

DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cumberland County Library System
Carlisle, Pennsylvania

We have audited the accompanying financial statements of the governmental activities and each major fund of Cumberland County Library System as of and for the year ended December 31, 2010, which collectively comprise the Library System's basic financial statements as listed on the table of contents. These financial statements are the responsibility of the Library System's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Library System's December 31, 2009 financial statements and, in our opinion dated July 1, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities and the major fund.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 3 through 13, the schedule of funding progress – OPEB on page 26, and budgetary comparison information on page 27 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.



Board of Directors
Cumberland County Library System

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library System's financial statements as a whole. The detailed budgetary comparison schedule on pages 28 - 30 is presented for purposes of additional analysis and is not a required part of the financial statements. The detailed budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in 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 in relation to the financial statements as a whole.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
May 4, 2011

Cumberland County Library System Management's Discussion and Analysis Year Ending December 31, 2010

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, 2010. The MD&A also includes comparison of current year financial activities to the previous year.

1) Cumberland County Library System Background:

The Cumberland County Library System administrative office's 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 free library card that may be used to borrow materials from any Cumberland County public library. The System's member libraries include Amelia S. Givin Free Library, Bosler Memorial Library, Cleve J. Fredricksen Library and its East Pennsboro Branch, John Graham Public Library, Joseph T. Simpson Public Library, New Cumberland Public Library and Shippensburg Public Library.

The Library System's Administrative Office is a department within Cumberland County government and reports to the Library System Board and the Cumberland County Commissioners' office.

This audit report provides information on the Library System's Administrative Office financial activities. Each Cumberland County Library System member library is independently audited. While the Library System's Administrative Office is a department of County government, it is not considered a component unit of County government operations. Thus, the Library System's Administrative Office is audited independently from County government operations as well as member library operations.

In 2010, the Administrative Office provided services in six major areas: 1) Information technology; 2) Technical services; 3) Direct library services; 4) STAR outreach services to older adults; 5) Training services for staff and board members; and 6) Administrative and financial services.

Information Technology

- a. Information Technology Services — To make library and information services widely accessible to Cumberland County residents, the Administrative Office maintained a high-speed countywide library network. In 2010, the network was comprised of about 20 servers, more than 120 computers for the public and about 150 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 more than 65 computers and associated peripherals at the system's largest library, Fredricksen, to seven 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's web site, catalog, reference databases, circulation and services for the homebound. It also helped the Administrative Office and its member library staff work effectively and efficiently by providing Outlook email and calendar services, office productivity software, fund raising software, web site editing software as well as other miscellaneous services.

Cumberland County Library System Management's Discussion and Analysis Year Ending December 31, 2010

In 2010, with the increased workload that this department experienced, the Library System Administrative Office added a part-time computer services assistant about mid-way through the year. This was accomplished by a general departmental staff realignment that occurred following the retirement of a senior staff member.

In 2010, the Library System's web catalog was searched nearly 3 million times, with citizens placing nearly 400,000 requests for items to be delivered to their home library for pick-up. This was about the same number of items that had been requested the previous year, averaging about 900 requests per day.

Technical Services

- b. Technical Services — To provide library users with in-depth access to collections and materials, the Administrative Office 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 technical services staff.

Notably, in 2010 the department provided acquisitions, cataloging and processing support for six special collection development grants totaling \$103,000. These grants included:

1. \$40,000 from the Pennsylvania Department of Community and Economic Development for adult print materials (especially non-fiction);
2. \$10,000 from the Library Services and Technology grant program to support Bosler Memorial Library's technology collection;
3. \$10,000 from the Library Services and Technology grant program to support Simpson Public Library's business collection;
4. \$15,000 from the Library Services and Technology grant program to support Fredricksen and East Pennsboro's health collections;
5. \$18,000 from the Library Services and Technology grant program to support Simpson Public Library's gaming collection; and
6. \$10,000 from the Library Services and Technology grant program to support system wide special needs collections for children.

The Technical Services department also experienced the retirement of a 10-year veteran full-time employee midway through the year. (An employee was promoted internally to fill this position.)

In 2010, 49,809 items were added to the Library Systems collections. This was about the same number as the prior year.

Direct Library Services for the Public

- c. 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 free library card 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 advisory groups that included member library directors, children's librarians as well as staff from computer services, technical services, training services and outreach services.

Cumberland County Library System Management's Discussion and Analysis Year Ending December 31, 2010

In 2010, over 2.6 million items were borrowed by library card members. This was a 5% decrease from the previous year, and likely can be attributed to a 10% reduction in library operating hours in 2010, coupled with reduced spending for new library materials.

STAR Outreach Services for Older Adults

- d. Services for the Aged — To meet the library service needs of older, homebound adults, the Library System provided Cumberland County homebound seniors with free STAR services (Services to Adult Readers). Through a countywide network of 76 volunteers, the Library System provided 133 homebound readers with books, including large print, audiobooks, and video recordings. The Library System administrative office also provided large print book deposit collections to 48 nursing homes, senior centers, assisted and independent living residences in the county.

In 2010, following the retirement of the senior staff member who coordinated this program, the STAR program was part of an overall staff realignment whose goal was to reduce costs, yet provide more staffing for work areas such as information technology that were experiencing increased workloads. This resulted in the STAR coordinator's position being reduced from full-time to part-time.

In 2010, 11,034 items were personally delivered to homebound individuals and STAR sites — about the same number as the prior year.

Training Services for Staff and Board Members

- e. Training Services — To meet the ongoing training needs of member library staff and board members, the Administrative Office provided a system wide training program for staff that emphasized technology skills. As part of its training program, the Administrative Office also maintained an Intranet web site.

Due to the Library System's migration from Microsoft Office 2003 productivity software to a newer version, this department was very busy. In 2010, the Library System provided 118 training sessions for 623 attendees, including a county wide Staff Development Day hosted by Fredricksen Library. There were also 2 trustee training sessions with 20 trustees attending.

Administrative & Financial Services

- f. Administrative & Financial Services — Administrative and financial services fall into three primary areas:
1. **Library Service Planning, Coordination & Evaluation:** Following the approval of building expansion programs at Shippensburg and Bosler libraries, the Library System Board agreed to relocate the Administrative Office's operations to newly purchased County-owned quarters on Ritner Highway, Carlisle (formerly Rufe Chevrolet). The Library System expects to move to the renovated facility in 2012. The new facility will be shared with the County Transportation and Elections departments. It will provide the library system with about 7500 square feet of highly functional space with plenty of parking.
 2. **Advocacy & Public Relations:** The Administrative Office coordinated advocacy and public relations with its member libraries by sponsoring an annual legislative breakfast for county, state and federal officials. The Administrative Office also designed and printed promotional and informational brochures for library users. Key public relations programs in 2010 included *One Book, One Community* and the annual Summer Reading Program for children.

**Cumberland County Library System
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3. **Finance:** In addition to the six collection development grants listed above, the Library System executive director worked with the separately incorporated Cumberland County Library System Foundation Board to obtain special funding for library services:
- Pfizer, Inc. in the amount of \$1494 to design and print promotional literature about health and wellness services provided by libraries; and
 - Educational Income Tax Credits in the amount of \$2500 from the Pennsylvania Department of Community and Economic Development to support the summer reading program;

The Library System also obtained \$3000 in private foundation support for its regional *One Book, One Community* program and it applied for and received about \$50,000 in federal Universal Service Fund credits, or E-Rate funds.

In addition, through an agreement with the Cumberland County Commissioners, the Administrative Office obtained and subsidized group health insurance rates (including dental and vision insurance for full-time staff) for staff at member libraries. The Administrative Office provided \$23,422 in partial subsidies for full-time and part-time staff who worked 20 hours or more per week at member libraries. In 2010, the Administrative Office's health insurance subsidy rates for member library staff were 25% (full-time) and 12.5% (part-time).

Finally, in late 2009, the Library System benefited from a bequest made by Miss Beatrice M. Kelley's estate (East Pennsboro Township) to the Library System. This allowed the board to distribute \$306,071 in funds to member libraries at the start of 2010.

2) Financial Highlights:

The Library System's revenues were \$56,549 more than budgeted.

The Library System's expenditures were \$94,781 under budget.

As a result of the Cumberland County Commissioners' foresight in requesting that growth in the combined expenditure of Cumberland County library tax funds and Commonwealth of Pennsylvania Public Library Subsidy funds be limited to 5% or less per year, the Library System Board set aside \$173,044 in Cumberland County Library Tax funds in its Strategic Development Fund, bringing the fund's total amount to \$2,557,467. The Library System Board anticipates drawing upon these funds within the next several years to prevent a major funding deficit for library services in Cumberland County, thus delaying the need to increase the Cumberland County library tax.

3) Description of the Basic Financial Statements:

The Library System's Administrative Office annual audit report consists of a series of statements:

- a. *The Statement of Net Assets and Governmental Funds Balance Sheet* — Provides details on the Administrative Office's assets, liabilities and net worth, with a comparison to the prior year.
- b. *Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances* — Provides details about the System's operating activities and changes in fund balance, with a comparison to the prior year.

**Cumberland County Library System
Management's Discussion and Analysis
Year Ending December 31, 2010**

- c. *Notes to Financial Statements* — Explains
- | | |
|--|------------------------------------|
| 1. Summary of significant accounting policies; | 7. Other Post-Employment Benefits; |
| 2. Cash and cash equivalents and Investments; | 8. Pension Plan; |
| 3. Accounts receivable; | 9. Board designated funds; |
| 4. Capital assets; | 10. Related party transactions; |
| 5. Compensated absences; | 11. Office lease; |
| 6. Deferred revenues; | 12. Risk management; |
| | 13. Commitments and contingencies. |
- d. *Other Post - Employment Benefit Plan* — Provides unaudited information of funding progress on the post-employment benefit plan.
- e. *Budgetary Comparison Schedule – General Fund* — Provides information on actual program and general revenues and expenditures as compared to budget.
- f. *Detailed Budgetary Comparison Schedule* — Provided as supplementary information, this schedule compares detailed budgeted and actual revenues and expenditures.

4) Condensed Comparative Financial Statements:

Statement of Net Assets	Amount		Percentage	
	2010	2009	2010	2009
Assets				
Current Assets	\$ 5,048,156	\$ 5,762,626	95%	96%
Noncurrent assets	264,349	261,130	4%	4%
Total Assets	\$ 5,312,505	\$ 6,023,756	100%	100%
Liabilities				
Current liabilities	\$ 652,538	\$ 1,278,458	98%	98%
Long-term liabilities	32,683	25,987	2%	2%
Total Liabilities	\$ 685,221	\$ 1,304,445	100%	100%
Net Assets				
Net Assets				
Invested in capital assets	\$ 264,639	\$ 261,130	4%	4%
Unrestricted	4,362,935	4,458,181	72%	74%
Total Liabilities and Net Assets	\$ 5,312,505	\$ 6,023,756	100%	100%

**Cumberland County Library System
Management's Discussion and Analysis
Year Ending December 31, 2010**

Statement of Activities	Amount		Percentage	
	2010	2009	2010	2009
Revenues				
Program Revenues				
Federal funds	\$ 47,418	\$ 68,509	1%	1%
State Funds	1,165,452	1,582,236	26%	30%
Other program funds	40,000	22,116	1%	0%
Total Program Revenues	\$ 1,252,870	\$ 1,672,961	28%	32%
General Revenues				
County tax revenue	\$ 3,101,974	\$ 3,090,571	70%	59%
Interest	96,787	147,493	2%	3%
Donations	9,800	307,902	0%	6%
Miscellaneous	1,081	181	0%	0%
Total General Revenues	\$ 3,209,642	\$ 3,546,147	72%	68%
Total Revenues	\$ 4,462,512	\$ 5,219,108	100%	100%
Program Expenditures				
Wages and benefits	\$ 791,546	\$ 756,422	18%	14%
Collection	204,410	195,360	5%	4%
Other operating expenditures	415,778	475,745	9%	9%
Member library distributions	3,142,805	2,978,860	57%	57%
Total expenditures	\$ 4,554,539	\$ 4,406,387	102%	84%
Change in Net Assets	\$ (92,027)	\$ 812,721	(2)%	16%

5) Analysis of Overall Financial Position and Results of Operations for Governmental Activities:

The Library System Administrative Office completed its fiscal year in a good financial position.

The Library System Administrative Office has a fully funded 90-day Contingency Fund of \$1,148,742. This reserve includes not only the Library System Administrative Office's 90-day operational cash needs, but also a cash reserve for 90-days of member library distributions. The Library System Board established this fund to guarantee the continued provision of library services at the same level for at least three months, regardless of whether or not County library tax or State Public Library Subsidy payments have been received.

The Library System Board has designated a Strategic Development Fund of \$2,557,467. As requested by the Cumberland County Commissioners in 2005, the Library System Board agreed to establish this fund with any significant net funding increase from county and state sources during the period 2005-2010 for three purposes:

- a. *Fully Fund Library System's 90-day Contingency Fund* — Accomplished in 2005.
- b. *Maintain Library Services* — Expenditures from the combined total of Cumberland County Library Tax and Commonwealth of Pennsylvania Public Library Subsidy funds were increased (decreased) modestly by:
 - (1) 3% in 2005;
 - (2) 3% in 2006;
 - (3) 5.7% in 2007 (Note: In 2007, expenditures from Cumberland County Library Tax funds were not increased; they remained the same. The 5.9% increase was the result of a 20% increase in Commonwealth of Pennsylvania Public Library Subsidy Funds.)

**Cumberland County Library System
Management's Discussion and Analysis
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- (4) 1.97% in 2008 (restatement, due to audit adjustments); and
- (5) (1%) in 2009 (Note: In 2010, Commonwealth of Pennsylvania Public Library Subsidy funding decreased 1% or \$14,398. Additionally, Commonwealth of Pennsylvania Statewide Library Card Reimbursement funding decreased 57% or \$163,140. With the consent of Cumberland County Commissioners and the approval of the Cumberland County Library System Board, Cumberland County Library Tax fund expenditures were increased to replace a portion — \$145,301 — of lost state revenue and provide a 3% cost of living increase for services.)
- (6) (4%) in 2010.

c. *Establish Strategic Development Fund* — The purpose of the Strategic Development Fund is to yield income for operating purposes, or to strategically reinvest principal to:

- Yield more funding;
- Produce new cost efficiencies; or
- Address critical deficiencies in library services.

The Library System Board and County Commissioners also stipulated that while any income from the Strategic Development Fund may be used for operating purposes, any fund principal expenditures would be approved by both the Library System Board and the County Liaison Commissioner (or the Board of Commissioners).

The Library System Board expects to begin drawing upon these funds within the next several years to prevent a major funding deficit for library services in Cumberland County, thus delaying the need to increase the Cumberland County library tax.

6) Budgetary Analysis:

The Library System's Administrative Office revenues were \$56,549 more than budgeted. This was due to three things:

1. About \$35,000 more than expected in federal Library Services and Technology Act grant funds for collection development at member libraries.
2. About \$16,000 more than expected from investment revenue.
3. About \$9,000 more than expected in general donations, which largely benefited the STAR program.

The Library System Administrative Office's expenditures were \$94,781 under budget. This was largely due to lower than expected costs for:

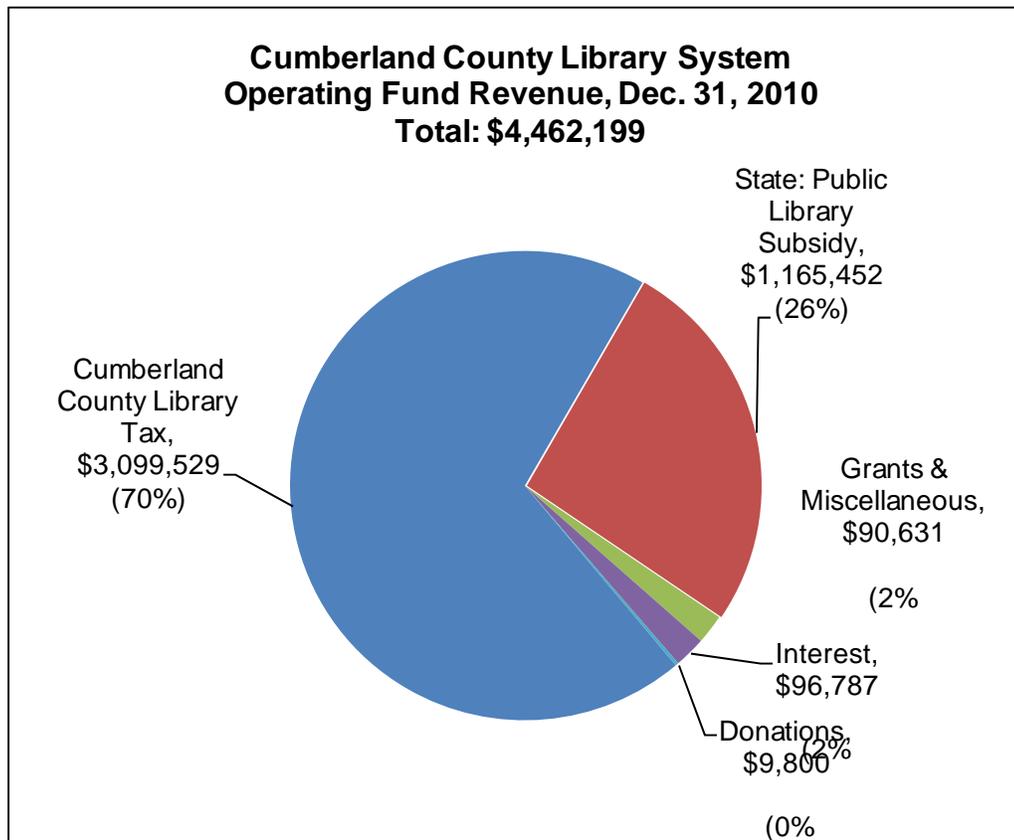
- Staff benefits (\$13,000): This was due to a staff realignment that split one full-time position into two part-time positions with lower benefit costs.
- Internet service costs (\$6,700): This was due to a new three-year contract for Internet service which yielded lower costs.
- Library supplies (\$10,000): This was due to reduced new material expenditures by member libraries.
- OCLC (\$10,000): This was due to reduced new material expenditures by member libraries.

Cumberland County Library System Management's Discussion and Analysis Year Ending December 31, 2010

- Computer Equipment (\$18,000): This was due to lower than expected costs for the replacement of 46 staff computers, 8 domain servers and 19 circulation thin client terminals.
- Computer Maintenance (\$31,000): Several annual maintenance contracts were cancelled in favor of using staff to provide more computer maintenance services as well as contracting on an as-needed basis with vendors.
- Contracted Services (\$16,000): As a result of having fewer new items to catalog and add to the collection, the Library System did not need contracted cataloging support services.
- Continuing Education (\$4,200): Staff made a concerted effort to reduce conference and training expenses throughout the year.

Revenue

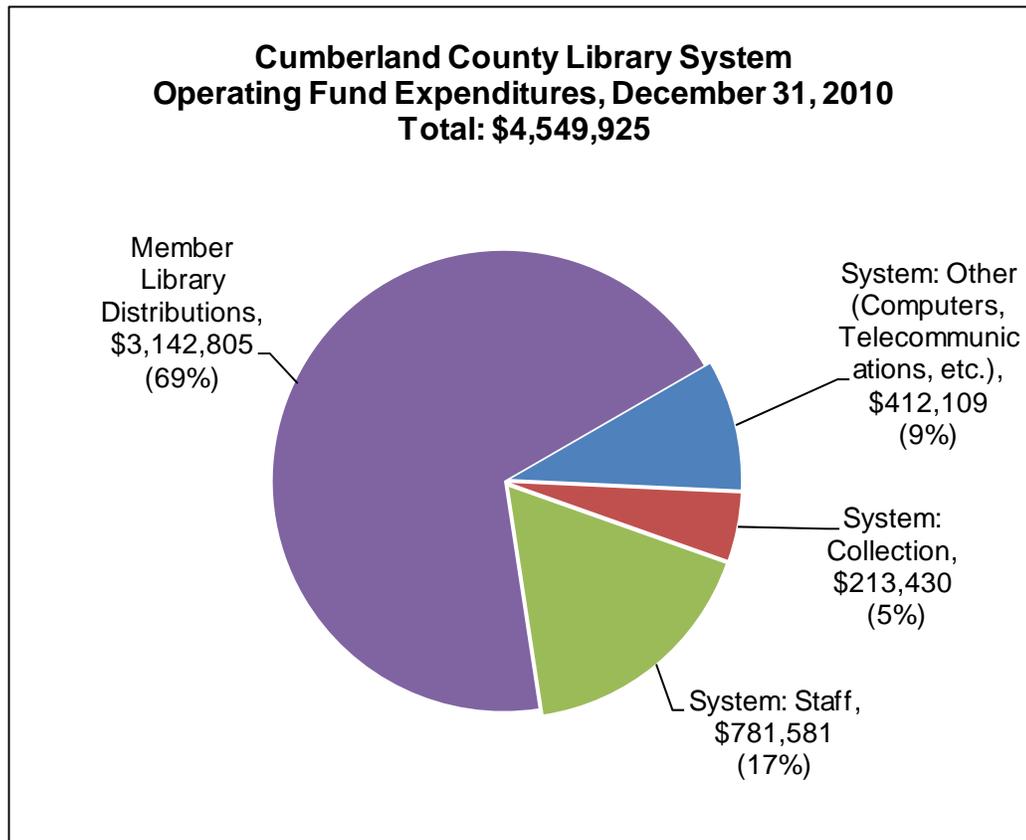
- Overall, the Library System Administrative Office's revenue of \$4,462,199 decreased (\$756,756) or 15% from 2009.
- Based upon a Cumberland County property tax millage of .180 mil, the County library tax increased a negligible amount, \$9,111 or .003% from 2009.
- The Commonwealth of Pennsylvania's Public Library Subsidy funding decreased \$291,534 or 20% from 2009.
- The Commonwealth of Pennsylvania Statewide Library Card Reimbursement funding was eliminated in 2010, decreasing by \$125,350 from 2009.



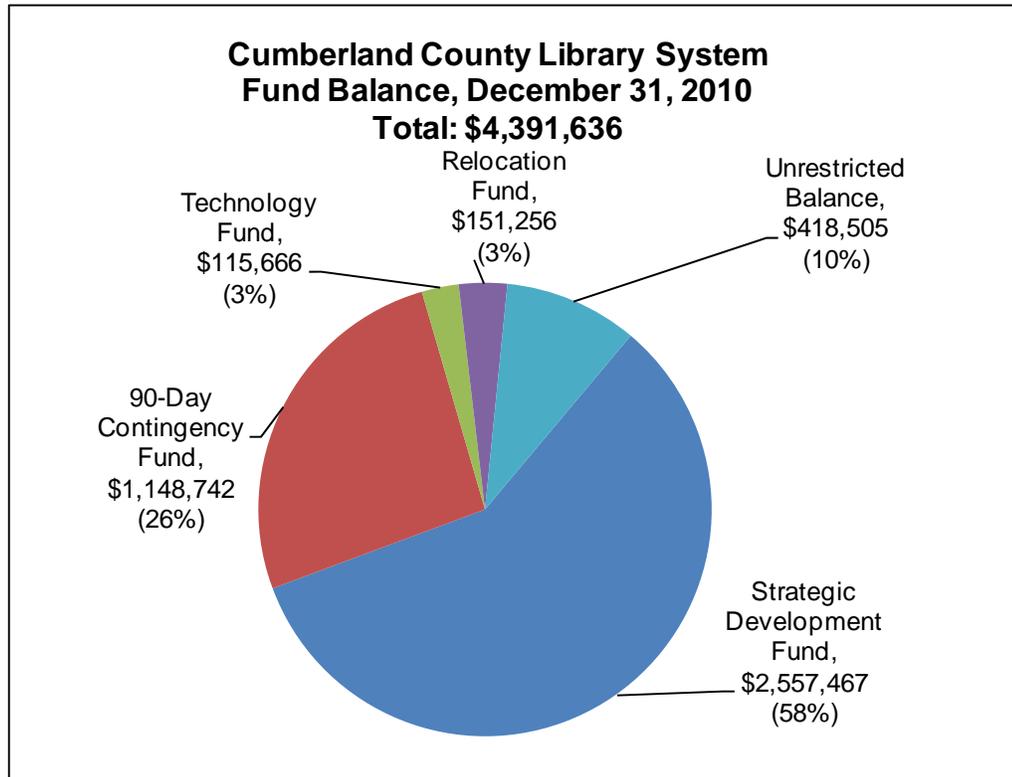
Cumberland County Library System Management's Discussion and Analysis Year Ending December 31, 2010

Expenditures

- Overall, the Library System Administrative Office's expenditures of \$4,549,925 increased \$106,312 or 2% from 2009.
- As mutually agreed upon by the Library System Board and the Cumberland County Commissioners, member library distributions of \$3,142,805 increased 5% or \$163,945 from 2009. This made member library distributions 69% of operating expenditures (up from 67% in 2009).
- Administrative Office staff expenditures, \$781,581, increased \$30,122 or 4% from 2009 and comprised 17% of the operating fund expenses.
- Administrative Office collection expenditures, \$213,430, increased \$18,070 or 9% and comprised 5% of the system's operating fund expenditures.
- Administrative Office expenses for other items, \$412,109, decreased (\$105,825) or 20% and comprised 9% of the system's operating fund expenditures.



**Cumberland County Library System
Management's Discussion and Analysis
Year Ending December 31, 2010**



Fund Balance/Net Assets

- The Library System Board transferred \$173,044 of its Operating Revenue to the Strategic Development Fund in 2010. This was 4% of the Library System Administrative Office's 2010 operating revenue. The balance of this fund is now \$2,557,467.
- The Library System Administrative Office has a fully funded 90-day contingency fund, \$1,148,742.
- The Library System Board transferred \$37,614 to its Relocation Fund in 2010 to fund its planned renovation and move to the County's Ritner Highway building. This was less than 1% of the Administrative Office's 2010 Operating Revenue. The balance of this fund is now at \$151,256.
- The Library System Board carried over a \$115,666 balance in its Technology Fund, which will be used for needed upgrades to computer servers and software.
- The Library System Board carried over a \$418,505 unrestricted balance for its 2011 operating budget.

7) Capital Asset and Long-Term Debt Activity:

Total Capital Assets (net of depreciation) were \$264,349 at December 31, 2010. There were no significant long-term debt activities for years ending December 31, 2010 and 2009.

**Cumberland County Library System
Management's Discussion and Analysis
Year Ending December 31, 2010**

The changes in capital assets for year ending December 31, 2010 are as follows:

Capital Assets, Dec. 31, 2010 (net of depreciation)	2010	2009	Change
Construction in progress	\$ 4,056	\$ 0	\$ 4,056
Exhaustible collection	34,736	34,044	692
Property and equipment	225,557	227,086	(1,529)
	\$ 264,349	\$ 261,130	3,219

(8) Factors Bearing on the System's Future:

County Library Tax revenues are expected to remain flat in 2011.

State Public Library Subsidy revenues are expected to be cut by 11% in 2011. Current budget proposals for 2012 call for the Public Library Subsidy to be cut about 2%.

Statewide Library Card Reimbursement revenues will not be available in 2011. Neither are they expected in 2012.

In 2007, the Library System Board adopted a new five-year plan for countywide library services for the period 2009-2012. A copy may be found at: <http://cumberlandcountylibraries.org/plan>.

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, Pennsylvania, Library System and its member libraries. In 2010, the Foundation provided \$15,000 in new general operating support for the Library System and its member libraries. 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's Administrative office in Carlisle, PA.

If you have questions about this MD&A, the Commonwealth Libraries annual report, or need additional information, contact the Cumberland County Library System at 19 South West Street, Carlisle, PA 17013 or by phone at (717) 240-6175.

CUMBERLAND COUNTY LIBRARY SYSTEM
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
December 31, 2010
(With Summarized Financial Information for December 31, 2009)

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u> <u>Statement of Net Assets</u>	
			<u>2010</u>	<u>2009</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 4,985,344	\$ 0	\$ 4,985,344	\$ 5,643,577
Prepaid expenses	0	0	0	7,350
Accounts receivable	<u>24,886</u>	<u>37,926</u>	<u>62,812</u>	<u>111,699</u>
Total current assets	<u>5,010,230</u>	<u>37,926</u>	<u>5,048,156</u>	<u>5,762,626</u>
Noncurrent assets				
Construction in progress	0	4,056	4,056	0
Exhaustible collection (net of accumulated depreciation)	0	34,736	34,736	34,044
Property and equipment (net of accumulated depreciation)	<u>0</u>	<u>225,557</u>	<u>225,557</u>	<u>227,086</u>
Total noncurrent assets	<u>0</u>	<u>264,349</u>	<u>264,349</u>	<u>261,130</u>
Total assets	<u>\$ 5,010,230</u>	<u>\$ 302,275</u>	<u>\$ 5,312,505</u>	<u>\$ 6,023,756</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 43,229	\$ 0	\$ 43,229	\$ 10,599
Accrued payroll and taxes	55,641	0	55,641	63,676
Compensated absences	0	33,944	33,944	30,675
Deferred grant revenues	<u>519,724</u>	<u>0</u>	<u>519,724</u>	<u>1,173,508</u>
Total current liabilities	<u>618,594</u>	<u>33,944</u>	<u>652,538</u>	<u>1,278,458</u>
Long-term liabilities				
OPEB liability	0	9,005	9,005	4,966
Compensated absences	<u>0</u>	<u>23,678</u>	<u>23,678</u>	<u>21,021</u>
Total long-term liabilities	<u>0</u>	<u>32,683</u>	<u>32,683</u>	<u>25,987</u>
Total liabilities	<u>618,594</u>	<u>66,627</u>	<u>685,221</u>	<u>1,304,445</u>
Fund balance/net assets				
Fund balance				
Unreserved, designated for strategic development	2,557,467	(2,557,467)	0	0
Unreserved, designated for 90-day contingency	1,148,742	(1,148,742)	0	0
Unreserved, designated for technology	115,666	(115,666)	0	0
Unreserved, designated for relocation	151,256	(151,256)	0	0
Unreserved, undesignated	<u>418,505</u>	<u>(418,505)</u>	<u>0</u>	<u>0</u>
Total fund balance	<u>4,391,636</u>	<u>(4,391,636)</u>	<u>0</u>	<u>0</u>
Net assets				
Invested in capital assets	0	264,349	264,349	261,130
Unrestricted	<u>0</u>	<u>4,362,935</u>	<u>4,362,935</u>	<u>4,458,181</u>
Total net assets	<u>0</u>	<u>4,627,284</u>	<u>4,627,284</u>	<u>4,719,311</u>
Total liabilities and fund balance/net assets	<u>\$ 5,010,230</u>	<u>\$ 302,275</u>	<u>\$ 5,312,505</u>	<u>\$ 6,023,756</u>

The accompanying notes are an integral part of these financial statements.

**CUMBERLAND COUNTY LIBRARY SYSTEM
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2010**

(With Summarized Financial Information for the year ended December 31, 2009)

			Governmental Activities Statement of Net Assets	
	General Fund	Adjustments	2010	2009
Program expenditures/expenses				
Personnel	\$ 781,581	\$ 9,965	\$ 791,546	\$ 756,422
Collection	213,430	(9,020)	204,410	195,360
Other operating expenditures	412,109	3,669	415,778	475,745
Member library distributions				
State public library subsidy	771,730	0	771,730	964,776
Statewide card	0	0	0	125,129
Cumberland County tax	2,041,582	0	2,041,582	1,714,077
Cumberland County tax - statewide card emergency funding	0	0	0	145,301
Beatrice Kelley Estate	306,071		306,071	0
Health subsidy distribution	23,422	0	23,422	29,190
Donations	0	0	0	387
Total expenditures/expenses	4,549,925	4,614	4,554,539	4,406,387
Program revenues				
Capital grants				
Federal LSTA grants	47,418	0	47,418	68,509
Operating grants				
State public library subsidy	1,165,452	0	1,165,452	1,456,986
Statewide card	0	0	0	125,350
Other state and county revenue	40,000	0	40,000	22,116
Total program revenues	1,252,870	0	1,252,870	1,672,961
Net program revenue			(\$ 3,301,669)	(\$ 2,733,426)
General revenues				
Cumberland County tax revenue	\$ 3,099,529	\$ 2,445	\$ 3,101,974	\$ 3,090,571
Interest	96,787	0	96,787	147,493
Donations	9,800	0	9,800	307,902
Miscellaneous	3,213	(2,132)	1,081	181
Total general revenues	3,209,329	313	3,209,642	3,546,147
Excess of revenues over expenditures/change in net assets	(87,726)	(4,301)	(92,027)	812,721
Fund balance/net assets	4,479,362	239,949	4,719,311	3,906,590
Fund balance/net assets - end of year	\$ 4,391,636	\$ 235,648	\$ 4,627,284	\$ 4,719,311

The accompanying notes are an integral part of these financial statements.

CUMBERLAND COUNTY LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

The Governmental Accounting Standards Board (GASB) defines the criteria used to determine the composition of the reporting entity. It requires that the reporting entity include (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) 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.

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

The libraries of the Library System (Amelia S. Given 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 Library System as a component unit of the County of Cumberland and 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 fund existing under its jurisdiction, which is considered a separate accounting entity. The operations of this fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The Library System’s resources are allocated to and accounted for in the individual fund 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:

Note 1. Summary of Significant Accounting Policies (Continued)

Governmental Fund

Governmental Funds are those through which most 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 Operating Fund - The General Operating 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 assets 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 assets-governmental activities as reported in the government-wide statement of net assets. These differences are detailed below.

	<u>December 31, 2010</u>
Fund Balance, Governmental Funds	\$ 4,391,636
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the general fund. The \$840,375 represent's the entire book value of the Library System's governmental capital assets less \$580,082 of accumulated depreciation.	264,349
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.	37,926
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. Long-term liabilities at year end consist of compensated absences and the Other Post Employment Benefits (OPEB) obligation.	(66,627)
Net Assets, Governmental Activities	<u>\$ 4,627,284</u>

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 assets of governmental activities as reported in the government-wide statement of activities. These differences are detailed below.

	<u>Year Ended</u> <u>December 31, 2010</u>
Change in fund balance, Governmental Funds	(\$ 87,726)
 Capital outlays are reported in the general fund as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as "depreciation expense". The details of this difference are as follows:	
Capital asset purchases	102,909
Depreciation expense	(<u>97,558</u>)
	5,351
 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.	 2,445
 In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase other financing sources. Thus, the change in net assets differs from the changes in fund balance by the cost of the assets sold or disposed of.	 (2,132)
 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. The change in compensated absences and Net Other Post Employment Benefits (OPEB) obligation for the current year is:	 (<u>9,965</u>)
Change in net assets, Governmental Activities	(\$ <u>92,027</u>)

Budgets

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

Cash and Cash Equivalents and Investments

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

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

Accounts Receivable

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

Note 1. Summary of Significant Accounting Policies (Continued)

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 assets 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:

	Governmental Activities
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 expenses 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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library System or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the Library System's policy to use unrestricted resources first, then restricted resources as they are needed, unless the Board has approved the use of restricted resources.

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

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

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

Other Postemployment Benefits Other Than Pensions

The GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. See Note 7 for details on the other post employment benefits offered by the Library System.

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, 2010. Any reductions in funding could have a significant impact on the Library System.

Note 2. Cash and Cash Equivalents and Investments

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, 2010, the Library System had deposit balances in the amount of \$ 4,995,158, of which \$ 444,613 was insured by FDIC and \$ 4,550,545 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which 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.

Note 3. Accounts Receivable

Accounts receivable as of December 31, 2010 are as follows:

Cumberland County Library Tax - 2010	\$	47,414
Member libraries		<u>15,398</u>
Receivables - full accrual basis		62,812
Less revenues not received in 60 days	(<u>37,926</u>)
Receivables - modified accrual basis	\$	<u>24,886</u>

Note 4. Capital Assets

Capital asset activity for the System consists of the following as of the year ended December 31, 2010:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Construction in progress	\$ 0	\$ 4,056	\$ 0	\$ 4,056
Capital assets being depreciated				
Exhaustible collection				
Cost				
STAR book collection	29,366	7,857	0	37,223
STAR AV collection	<u>28,929</u>	<u>1,163</u>	<u>0</u>	<u>30,092</u>
	<u>58,295</u>	<u>9,020</u>	<u>0</u>	<u>67,315</u>
Accumulated depreciation				
STAR book collection	(11,137)	(4,195)	0	(15,332)
STAR AV collection	(13,114)	(4,133)	0	(17,247)
	<u>(24,251)</u>	<u>(8,328)</u>	<u>0</u>	<u>(32,579)</u>
Exhaustible collection net of accumulated depreciation	<u>34,044</u>	<u>692</u>	<u>0</u>	<u>34,736</u>
Capital assets being depreciated				
Property and equipment				
Cost				
Office computers and equipment	125,512	3,128	(988)	127,652
Intralibrary computer network	461,626	85,155	(69,061)	477,720
Intralibrary computer software	<u>172,297</u>	<u>1,550</u>	<u>(6,159)</u>	<u>167,688</u>
	<u>759,435</u>	<u>89,833</u>	<u>(76,208)</u>	<u>773,060</u>
Accumulated depreciation				
Office computers and equipment	(39,944)	(20,473)	745	(59,672)
Intralibrary computer network	(348,520)	(54,269)	69,061	(333,728)
Intralibrary computer software	(143,885)	(14,488)	4,270	(154,103)
	<u>(532,349)</u>	<u>(89,230)</u>	<u>74,076</u>	<u>(547,503)</u>
Property and equipment net of accumulated depreciation	<u>227,086</u>	<u>603</u>	<u>(2,132)</u>	<u>225,557</u>
Total capital assets being depreciated, net	<u>\$ 261,130</u>	<u>\$ 5,351</u>	<u>(\$ 2,132)</u>	<u>\$ 264,349</u>

Note 5. Compensated Absences

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. Until June 1997, full-time Library System employees could accumulate unused sick days up to a maximum of 260 days. Upon termination, employees were paid one-half of accumulated sick days not to exceed 45 days. During 1997, the County adopted a new sick leave policy. Accumulated balances as of June 30, 1997 were carried forward; however, any sick days earned after that date do not accumulate and unused days are paid at half the daily pay rate to employees near the end of the year. Employees may accumulate a maximum of 32 hours of compensatory time. All hours exceeding the 32 hour limit are paid at the appropriate rate. The executive director, technical services coordinator, automation services coordinator, training services coordinator, and technical services librarian are exempt from compensatory time under the Fair Labor Standards Act. The County renders a monthly bill for wages, benefits and related expenses. Accrued compensated absences balances were:

	<u>Beginning</u>			<u>Ending</u>		
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Current</u>	<u>Long-Term</u>
Governmental activities						
Compensated Absences	<u>\$ 51,696</u>	<u>\$ 88,026</u>	<u>(\$ 82,100)</u>	<u>\$ 57,622</u>	<u>\$ 33,944</u>	<u>\$ 23,678</u>

Note 6. Deferred Revenues

Governmental funds present deferred revenue in connection with receivables for revenues that are not considered to be available to pay liabilities of the current period. Governmental funds also defer revenue recognition for resources that have been received, but not yet earned. Deferred revenues in the General Fund of \$ 519,724 consist of State Aid funds received in 2010 but which cannot be spent until 2011.

Note 7. Other Postemployment Benefits

Plan Description

The Library System is 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.

To be eligible to receive benefits of the health insurance plan, a retiree must be receiving annuity payments from the Cumberland County Retirement Plan. The County Commissioners established the Plan and may amend the Plan at any time. The County/Library System is under no statutory or contractual obligation to provide this post-employment benefit.

While retirees opting to participate are asked to pay 100% of their premium, that amount is less than the Library System’s actual cost to provide health care coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering the retired members and their beneficiaries results in what is known as an “implicit rate subsidy” by the Library System, which gives rise to the benefit.

Note 7. Other Postemployment Benefits (continued)

Funding Policy

The Library System funds Plan liabilities on a “pay-as-you-go” basis, and has not established an OPEB trust fund to accumulate assets to fund Plan obligations. The Library System has no statutory or contractual obligation to fund the Plan and only does so at the Library System’s discretion. The Library System funds the implicit rate subsidy through the payment of health insurance premiums.

Annual OPEB Cost and Net OPEB Obligation

The Library System’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Library System’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Library System’s net OPEB obligation to the plan:

Annual required contribution (ARC)	\$ 6,978
Estimated interest on net OPEB obligation	223
Estimated adjustment to ARC	<u>(305)</u>
Annual OPEB Cost	6,896
Employer contributions made	<u>(2,857)</u>
Increase in net OPEB obligation	4,039
Net OPEB obligation - beginning of the year	<u>4,966</u>
Net OPEB obligation - end of the year	<u>\$ 9,005</u>

The Library System’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2010 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 6,896	41.1%	\$ 9,005
2009	\$ 6,978	28.8%	\$ 4,039

Funding Status of Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the plan had the following funded status and progress:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / (c))
* 1/1/2009	\$ 0	\$ 35,983	\$ 35,983	0%	\$ 586,872	6.1%

* - These represent the estimated valuation information as of 1/1/2010 included in the 1/1/2009 valuation.

Note 7. Other Post-Employment Benefits (continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to the continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information in the future, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Among the actuarial methods and assumptions used in the actuarial valuation are: (a) the projected unit credit cost method, (b) amortization of the unfunded actuarial accrued liability over 30 years, (c) a 4.5 percent discount rate based on an assumed 3 percent general inflation rate (this is assumed to be the long-term expected rate of return on non-Plan assets), (d) a health care inflation rate that begins at 10 percent in 2008 trending to 5 percent by 2013, (e) the amortization method for the most recent actuarial valuation is the level dollar method with an open period.

Note 8. Pension Plan

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 the County Pension Law, Act 96 of 1971, of the General Assembly of the Commonwealth of Pennsylvania, as amended (The Act). The Library System contributed \$ 56,727 to the County of Cumberland Retirement Plan for its employees for the year ended December 31, 2010. 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 six year historical trend information are maintained by the County.

Note 9. Board Designated Funds

The Board of Directors of the Cumberland County Library System has designated \$ 1,148,742 of unreserved fund balance to be used as a 90 day operating reserve. The Board established this operating reserve based on three months of budgeted general expenditures. This designation will be used to fund any unanticipated expenditures. These funds are not to be used in the ordinary course of business. The Board has also designated \$ 2,557,467 of unreserved fund balance to be used for strategic development. The purpose of this designation is to yield income for the Library System or strategically reinvest principal to produce more funding, generate cost efficiencies, or address critical deficiencies in the library services.

Note 9. Board Designated Funds (continued)

Any income from the fund may be used for operating purposes of the library system. Any expenditures of the principal in this fund would be approved by the Library System Board and acceptable to the County Liaison Commissioner or the Board of Commissioners. Also, the Board has designated \$ 115,666 of unreserved fund balance to be used for the future upgrade of the Library System's integrated server and software. Finally, the Board has designated \$ 151,256 of unreserved fund balance to be used for future relocation costs of the Library System.

Note 10. Related Party Transactions

While the Library System is not a component unit of the County of Cumberland, the County does provide payroll management and tax collection services, which totaled \$ 781,581 for 2010. There is \$ 54,303 due to the County for payroll expenditures at December 31, 2010. The amount of taxes that were over paid from the County for 2010 Library System taxes amounted to \$ 5,168 and is included in accounts payable at December 31, 2010.

Note 11. Office Lease

The Library System leases office space owned by Bosler Memorial Library. Rent paid to Bosler Memorial Library for office space totaled \$ 36,204 for 2010. Currently, it is being rented on a month to month basis.

Note 12. 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 13. Commitments and Contingencies

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, 2010, 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.

REQUIRED SUPPLEMENTARY INFORMATION

CUMBERLAND COUNTY LIBRARY SYSTEM
OPEB (Other Postemployment Benefit Plan)

UNAUDITED REQUIRED SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / (c))
* 1/1/2010	\$ 0	\$ 35,983	\$ 35,983	0.00%	\$ 586,872	6.1%
1/1/2009	\$ 0	\$ 29,488	\$ 29,488	0.00%	\$ 567,200	5.2%

* - These represent the estimated valuation information as of 1/1/2010 included in the 1/1/2009 valuation.

This schedule will be expanded to show multi-year trend information as additional actuarial valuations are performed in the future.

**CUMBERLAND COUNTY LIBRARY SYSTEM
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2010**

	Original/Final Budget	General Fund Actual	Variance with Final Budget Positive (Negative)
Program revenues			
Capital grants			
Federal LSTA grants	\$ 12,922	\$ 47,418	\$ 34,496
Operating grants			
State public library subsidy	1,165,452	1,165,452	0
Other state and county revenue	<u>0</u>	<u>40,000</u>	<u>40,000</u>
Total program revenues	<u>1,178,374</u>	<u>1,252,870</u>	<u>74,496</u>
General revenues			
Cumberland County tax revenue	3,145,676	3,099,529	(46,147)
Interest	81,000	96,787	15,787
Donations	500	9,800	9,300
Miscellaneous	<u>100</u>	<u>3,213</u>	<u>3,113</u>
Total general revenue	<u>3,227,276</u>	<u>3,209,329</u>	<u>(17,947)</u>
Total revenue	<u>4,405,650</u>	<u>4,462,199</u>	<u>56,549</u>
Program expenditures			
Personnel	803,188	781,581	21,607
Collection	178,083	213,430	(35,347)
Other operating expenditures	514,010	412,109	101,901
Member library distributions			
State public library subsidy	771,730	771,730	0
Cumberland county tax	2,041,582	2,041,582	0
Beatrice Kelly Estate	306,071	306,071	0
Health subsidy distribution	<u>30,042</u>	<u>23,422</u>	<u>6,620</u>
Total expenditures	<u>4,644,706</u>	<u>4,549,925</u>	<u>94,781</u>
Change in fund balance	(239,056)	(87,726)	151,330
Fund balance - beginning of year	<u>3,977,187</u>	<u>4,479,362</u>	<u>502,175</u>
Fund balance - end of year	<u>\$ 3,738,131</u>	<u>\$ 4,391,636</u>	<u>\$ 653,505</u>

OTHER SUPPLEMENTARY INFORMATION

**CUMERLAND COUNTY LIBRARY SYSTEM
DETAILED BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Program revenues			
Federal LSTA grants	\$ 12,922	\$ 47,418	\$ 34,496
State public library subsidy	1,165,452	1,165,452	0
Other state and county revenue	<u>0</u>	<u>40,000</u>	<u>40,000</u>
Total program revenues	<u>1,178,374</u>	<u>1,252,870</u>	<u>74,496</u>
General revenues			
Cumberland county tax revenue	3,145,676	3,099,529	(46,147)
Interest	81,000	96,787	15,787
Donations	500	9,800	9,300
Miscellaneous	<u>100</u>	<u>3,213</u>	<u>3,113</u>
Total general revenues	<u>3,227,276</u>	<u>3,209,329</u>	<u>(17,947)</u>
Total revenues	<u>4,405,650</u>	<u>4,462,199</u>	<u>56,549</u>
Expenditures			
Personnel			
Wages	608,770	600,161	8,609
Benefits			
FICA-employer	46,571	45,198	1,373
Unemployment-employer	600	2,866	(2,266)
Health insurance	76,569	70,560	6,009
Life insurance	6,757	400	6,357
Disability insurance	0	5,669	(5,669)
Retirement	<u>63,921</u>	<u>56,727</u>	<u>7,194</u>
Total personnel expenditures	<u>803,188</u>	<u>781,581</u>	<u>21,607</u>
Collection			
Books	19,500	10,343	9,157
Periodicals and newspapers	1,598	1,046	552
Audio visual	13,798	20,749	(6,951)
DCED Grant - Non-fictional materials	2,000	2,127	(127)
Grant - Simpson video game	0	48,594	(48,594)
Electronic information and internet services	100,587	100,528	59
Library supplies	<u>40,600</u>	<u>30,043</u>	<u>10,557</u>
Total collection expenditures	<u>\$ 178,083</u>	<u>\$ 213,430</u>	<u>(\$ 35,347)</u>

CUMERLAND COUNTY LIBRARY SYSTEM
DETAILED BUDGETARY COMPARISON SCHEDULE (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures (Cont'd.)			
Other operating expenditures			
Office			
Office supplies	\$ 3,500	\$ 4,189	(\$ 689)
Automation supplies	0	300	(300)
Furniture & equipment	0	2,231	(2,231)
Postage and delivery	21,000	24,204	(3,204)
Printing	5,000	5,589	(589)
Photocopier supplies & service	1,725	3,676	(1,951)
Computer equipment			
Hardware	109,180	90,814	18,366
Software	2,468	2,125	343
Office hardware and software maintenance	250	1,375	(1,125)
Automation hardware maintenance	49,690	18,230	31,460
Automation software maintenance	64,476	63,404	1,072
Occupancy			
Rent	36,204	36,204	0
Building maintenance	19,745	21,773	(2,028)
Utilities	0	14,004	(14,004)
Insurance	19,481	463	19,018
Telecommunications			
General office	3,000	2,561	439
Automation system	54,231	32,090	22,141
Public relations	4,865	4,627	238
Programming			
Summer reading	3,000	2,000	1,000
Trustee	1,000	367	633
Staff	3,000	2,843	157
Movie licensing USA	3,520	2,644	876
One book, One community	200	0	200
Contracted services			
Database	26,395	12,494	13,901
Consultant	4,100	2,678	1,422
Audit and Accounting	16,300	15,057	1,243
Other miscellaneous operating			
Dues and memberships	5,359	4,370	989
OCLC - Bibliographic Services	29,070	19,835	9,235
Cost of raising money and miscellaneous	15,816	15,062	754
Staff travel and training			
Travel	3,635	3,346	289
Continuing education	7,800	3,554	4,246
Total other operating expenditures	<u>\$ 514,010</u>	<u>\$ 412,109</u>	<u>\$ 101,901</u>

**CUMERLAND COUNTY LIBRARY SYSTEM
 DETAILED BUDGETARY COMPARISON SCHEDULE (Continued)
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Member library distributions			
State public library subsidy			
Amelia S. Givin	\$ 52,765	\$ 52,765	\$ 0
Bosler	155,157	155,157	0
Cleve J. Fredrickson	233,325	233,325	0
John Graham	31,388	31,388	0
Joseph T. Simpson	147,833	147,833	0
New Cumberland	80,875	80,875	0
Shippensburg	<u>70,387</u>	<u>70,387</u>	<u>0</u>
Total state aid	<u>771,730</u>	<u>771,730</u>	<u>0</u>
Cumberland county tax			
Amelia S. Givin	137,194	137,194	0
Bosler	403,426	403,426	0
Cleve J. Fredrickson	606,671	606,671	0
John Graham	81,612	81,612	0
Joseph T. Simpson	384,381	384,381	0
New Cumberland	245,284	245,284	0
Shippensburg	<u>183,014</u>	<u>183,014</u>	<u>0</u>
Total Cumberland county tax	<u>2,041,582</u>	<u>2,041,582</u>	<u>0</u>
Beatrice Kelley estate			
Amelia S. Givin	18,834	18,834	0
Bosler	55,382	55,382	0
Cleve J. Fredrickson	113,891	113,891	0
John Graham	11,204	11,204	0
Joseph T. Simpson	52,768	52,768	0
New Cumberland	28,868	28,868	0
Shippensburg	<u>25,124</u>	<u>25,124</u>	<u>0</u>
Total Beatrice Kelley estate	<u>306,071</u>	<u>306,071</u>	<u>0</u>
Health subsidy distribution			
Amelia S. Givin	1,838	1,681	157
Bosler	10,415	9,694	721
Cleve J. Fredrickson	4,901	4,176	725
John Graham	23	60	(37)
Joseph T. Simpson	3,676	3,361	315
New Cumberland	4,288	969	3,319
Shippensburg	<u>4,901</u>	<u>3,481</u>	<u>1,420</u>
Total health subsidy distribution	<u>30,042</u>	<u>23,422</u>	<u>6,620</u>
Total expenditures	<u>\$ 4,644,706</u>	<u>\$ 4,549,925</u>	<u>\$ 94,781</u>