

**MONTGOMERY COUNTY-NORRISTOWN
PUBLIC LIBRARY**
(A Component Unit of the County of Montgomery)

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2021

INTRODUCTORY SECTION

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
(A Component Unit of the County of Montgomery)

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YEAR ENDED DECEMBER 31, 2021

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Directors
Montgomery County-Norristown Public Library
Norristown, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the General Fund of Montgomery County-Norristown Public Library (a component unit of the County of Montgomery), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Montgomery County-Norristown Public Library's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Montgomery County-Norristown Public Library, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Montgomery County-Norristown Public Library's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery County-Norristown Public Library's ability to continue as a going concern for one year after the financial statement date.

To the Board of Directors
Montgomery County-Norristown Public Library
Norristown, Pennsylvania

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Montgomery County-Norristown Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery County-Norristown Public Library's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information on pages 4-7 and 22-23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 an opinion or provide any assurance.

Maille LLP

Limerick, Pennsylvania
October 18, 2022

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
(A Component Unit of the County of Montgomery)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

USING THIS ANNUAL REPORT

As management of Montgomery County-Norristown Public Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the year ended December 31, 2021.

This annual report consists of three parts--*Management's Discussion and Analysis*, the *Basic Financial Statements* and *Required Supplementary Information*. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library under the modified accrual method. These *fund financial statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The *government-wide financial statements* column provides both long-term and short-term information about the Library's overall financial status. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a long-term view of the Library's finances. These statements tell how these services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

FINANCIAL HIGHLIGHTS

- The Library's General Fund balance increased \$382,892 or 12.61% as a result of this year's operations.
- The Library's net position increased \$368,926 or 9.80%.
- The Library's total support and revenue was \$5,791,756 in 2021 compared to \$5,961,540 in 2020. This was a decrease of \$169,784 or 2.85%. The decrease in the total support and revenue is primarily due to the Paycheck Protection Program loan forgiveness proceeds in the prior year.
- The Library's total expenses were \$5,422,830 in 2021 compared to \$5,285,984 in 2020. This was an increase of \$136,846 or 2.58%.

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
(A Component Unit of the County of Montgomery)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

FINANCIAL ANALYSIS OF THE SYSTEM

The following comparative condensed financial data serves as indicators of the Library's financial health or financial position. The Library's net position, as shown below, increased by \$369,599 in 2021. Table 1 shows the Library's net position for a comparative two-year period. The component change in net position is shown in Table 2 as condensed *Statements of Activities*. Table 3 provides a comparative of the components of the capital assets from 2020 to 2021.

	Governmental Activities	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,790,941	\$ 3,690,143
Other assets	30,024	50,747
Capital assets, net	942,658	982,428
TOTAL ASSETS	<u>4,763,623</u>	<u>4,723,318</u>
LIABILITIES		
Accounts payable, due to district and compensated absences	324,004	331,759
Unearned revenues, state aid	307,124	627,990
TOTAL LIABILITIES	<u>631,128</u>	<u>959,749</u>
NET POSITION		
Net investment in capital assets	942,658	982,428
Restricted	104,464	96,828
Unrestricted	<u>3,085,373</u>	<u>2,684,313</u>
TOTAL NET POSITION	<u>\$ 4,132,495</u>	<u>\$ 3,763,569</u>

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
(A Component Unit of the County of Montgomery)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Table 2
Condensed Statements of Activities

	Governmental Activities	
	2021	2020
REVENUES		
Public support	\$ 132,666	\$ 107,043
Government appropriations and grants	5,585,777	5,116,443
Interest income	24,694	30,238
Other revenues	48,619	49,566
Loss on disposition of capital assets	-	2,150
Paycheck protection program revenue	-	656,100
TOTAL REVENUES	<u>5,791,756</u>	<u>5,961,540</u>
EXPENSES		
Salaries, wages and benefits	3,260,878	3,426,289
Other operating costs	2,161,952	1,859,695
TOTAL EXPENSES	<u>5,422,830</u>	<u>5,285,984</u>
CHANGE IN NET POSITION	<u>\$ 368,926</u>	<u>\$ 675,556</u>

Table 3
Capital Assets

	December 31,	
	2021	2020
CAPITAL ASSETS		
Books and collections	\$ 9,371,195	\$ 9,000,465
Improvements	492,477	492,477
Furniture and equipment	113,867	113,867
Computer equipment	218,327	218,327
Vehicles	687,778	687,778
	<u>10,883,644</u>	<u>10,512,914</u>
Accumulated depreciation	<u>(9,940,986)</u>	<u>(9,530,486)</u>
	<u>\$ 942,658</u>	<u>\$ 982,428</u>

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
(A Component Unit of the County of Montgomery)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

GENERAL FUND BUDGETARY HIGHLIGHTS

In 2021-2022 State Aid to public libraries did not increase. In 2021 the library appropriation from Montgomery County did not change. Support from municipalities declined by \$9,725.00 from the prior year to \$77,259.00. Douglass Township, East Norriton Township, Hatfield Borough, and Upper Frederick Township did not provide an allocation in 2021. Norristown Area School District, West Norriton Township, and Worcester Township increased their support. The remaining municipalities provided support at that same level as the prior year.

ECONOMIC FACTORS

In June 2022, the Governor approved an \$11 million dollar increase in the State Public Library Subsidy for the 2022-2023 fiscal year. The Montgomery County Commissioners increased funding for the library in 2022 by \$114,000.00.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or additional requests for financial information should be addressed to the Executive Director, Montgomery County-Norristown Public Library, 1001 Powell Street, Norristown, PA 19401.

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
(A Component Unit of the County of Montgomery)

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
DECEMBER 31, 2021

	<u>General Fund</u>	<u>Adjustments (Note D)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 3,790,941	\$ -	\$ 3,790,941
Other receivables	15,048	-	15,048
Prepaid expenses	14,976	-	14,976
Capital assets, net	<u>-</u>	<u>942,658</u>	<u>942,658</u>
TOTAL ASSETS	<u>\$ 3,820,965</u>	<u>\$ 942,658</u>	<u>\$ 4,763,623</u>
LIABILITIES AND FUND BALANCE/NET POSITION			
LIABILITIES			
Accounts payable	\$ 78,401	\$ -	\$ 78,401
Due to District for One Book One County	17,287	-	17,287
Unearned revenues, state aid	307,124	-	307,124
Compensated absences	-	228,316	228,316
TOTAL LIABILITIES	<u>402,812</u>	<u>228,316</u>	<u>631,128</u>
FUND BALANCE/NET POSITION			
Fund balance			
Nonspendable, prepaid expenses	14,976	(14,976)	-
Restricted (Note F)	104,464	(104,464)	-
Assigned (Note E)	1,847,150	(1,847,150)	-
Unassigned	1,451,563	(1,451,563)	-
TOTAL FUND BALANCE	<u>3,418,153</u>	<u>(3,418,153)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,820,965</u>		
Net position			
Net investment in capital assets		942,658	942,658
Restricted		104,464	104,464
Unrestricted		3,085,373	3,085,373
TOTAL NET POSITION		<u>4,132,495</u>	<u>4,132,495</u>
TOTAL LIABILITIES AND NET POSITION		<u>\$ 942,658</u>	<u>\$ 4,763,623</u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
(A Component Unit of the County of Montgomery)
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	General Fund	Adjustments (Note D)	Statement of Activities
EXPENSES			
Library operations			
General administration	\$ 918,672	\$ (31,987)	\$ 886,685
Materials and services	4,461,517	(364,547)	4,096,970
Programs	14,051	-	14,051
Depreciation	-	410,500	410,500
Other programs and fundraising	14,624	-	14,624
TOTAL EXPENSES	<u>5,408,864</u>	<u>13,966</u>	<u>5,422,830</u>
PROGRAM REVENUES			
Charges for services	38,008	-	38,008
Program grants	62,057	-	62,057
TOTAL PROGRAM REVENUES	<u>100,065</u>	<u>-</u>	<u>100,065</u>
NET PROGRAM EXPENSES	<u>5,308,799</u>	<u>13,966</u>	<u>5,322,765</u>
GENERAL REVENUES			
Montgomery County appropriation	2,692,704	-	2,692,704
State aid appropriations	1,991,058	-	1,991,058
Branch libraries	90,813	-	90,813
Local municipal appropriations	74,759	-	74,759
Donated rent and services	674,386	-	674,386
Contributions	121,606	-	121,606
Fundraising	11,060	-	11,060
Investment income	24,694	-	24,694
Miscellaneous	10,611	-	10,611
TOTAL GENERAL REVENUES	<u>5,691,691</u>	<u>-</u>	<u>5,691,691</u>
CHANGE IN FUND BALANCE/NET POSITION	382,892	(13,966)	368,926
FUND BALANCE/NET POSITION AT BEGINNING OF YEAR	<u>3,035,261</u>	<u>728,308</u>	<u>3,763,569</u>
FUND BALANCE/NET POSITION AT END OF YEAR	<u>\$ 3,418,153</u>	<u>\$ 714,342</u>	<u>\$ 4,132,495</u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
(A Component Unit of the County of Montgomery)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Montgomery County-Norristown Public Library (the "Library") is organized for the purpose of maintaining a free public, non-sectarian library for residents of Montgomery County, Pennsylvania. The Library functions as the source of materials and services for all citizens of Montgomery County to meet their lifetime needs for information, education and recreation. All citizens are offered access to a diverse collection of materials and expert assistance in a welcoming environment. The Library supports local libraries in Montgomery County and acts as an essential link in the global network of library resources. The Library also provides management services for four Branch libraries and operates three Bookmobiles.

The Library is considered a component unit of the County of Montgomery.

Basis of Presentation

The financial statements of the Library have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments that have implemented GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, issued in June 1999.

Basis of Accounting

The Library's basic financial statements include both government-wide and fund financial statements.

Government-Wide Financial Statements - The government-wide financial statements (the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net position includes and recognizes all long-term assets and receivables as well as all obligations, including accounts payable. The Library's net position is reported in three parts: net investment in capital assets, restricted net position and unrestricted net position.

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
(A Component Unit of the County of Montgomery)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

Cash and Cash Equivalents

The Library has defined cash and cash equivalents to include cash on hand, demand deposits and certificates of deposit with an original maturity of three months or less.

Capital Assets

Capital assets are defined as assets with an initial, individual cost of \$1,000 or more and an estimated useful life greater than one year. Capital assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Books and collections	3-10
Computers	5
Furniture and fixtures	7
Building improvements	7
Vehicles and bookmobiles	5-10

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
(A Component Unit of the County of Montgomery)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

The Library has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Library's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as prepaid expenses) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Library itself, using its highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Library takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the Library intends to use for a specific purpose. Intent can be expressed by the Board of Directors.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is intended to be used by the Library for specific purposes but does not meet the criteria to be classified as restricted or committed.

The Library will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
(A Component Unit of the County of Montgomery)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Appropriations

The Library receives appropriations from the Commonwealth of Pennsylvania, the County of Montgomery and municipalities in Montgomery County.

Program Revenues

The statement of activities and the Governmental Fund statement of revenues, expenses and changes in fund balance present three categories of program revenues: (1) charges for services, (2) program grants and (3) capital grants. Charges for services are those revenues arising from charges to customers who purchase, use, or directly benefit from goods and services provided by the Library. Program and capital grants are revenues arising from receipts that are restricted for a specific use.

Compensated Absences

Employees of the Library are entitled to paid vacation depending on job classification, length of service and other factors. The Library has accrued \$228,316 on the government-wide statement of net position for unused vacation days at December 31, 2021.

Restricted Net Position

Restricted net position includes donations whereby the donor restricts the principal and allows only the interest to be used for an intended purpose, such as the purchase of books. Other restricted donations can be used in total for specific programs of the Library.

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
(A Component Unit of the County of Montgomery)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Rent and Services

The Library uses rent-free buildings and related equipment, which are owned by Montgomery County. The County provides security, maintenance and part of the insurance on the facility. The estimated free rent and services are recognized as a revenue and an expense on the Governmental Fund statement of revenues, expenses and changes in fund balance and statement of activities, respectively.

State Aid

The Commonwealth of Pennsylvania provides aid to the Library annually. The amount of aid the Commonwealth appropriates and disburses to the Library is on the Commonwealth's fiscal year ending June 30. Since the Library has a year-end of December 31, it recognizes one half of the prior year's state appropriated aid and one half of the current year's state appropriated aid each calendar year.

Due to District for One Book One County

One Book One County is Montgomery County District Libraries' annual event managed by the Library. The net income from the One Book One County events belong to the County, not the Library. Therefore, the accumulated net income from the event is presented as a liability on the governmental fund balance sheet and statement of net position.

NOTE B - DEPOSITS

Deposits consist of the following at December 31, 2021:

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2021, \$869,707 of the Library's bank balance of \$3,943,222 was exposed to custodial credit risk as follows:

Cash in checking and money market accounts	\$ 3,619,228
Pennsylvania Local Government Investment Trust	323,994
BALANCE PER BANK AND FINANCIAL INSTITUTIONS	3,943,222
Outstanding checks and reconciling items	(152,322)
	3,790,900
Cash on hand	41
	41
CARRYING AMOUNT ON STATEMENT OF NET POSITION	\$ 3,790,941

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
(A Component Unit of the County of Montgomery)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE B - DEPOSITS (Continued)

Deposits in excess of FDIC but collateral is held by the pledging bank's trust department not in the Library's name	\$ 545,713
Uninsured	\$ 323,994

Pennsylvania statutes provide for investment of local government funds and their component unit funds into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not describe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

Although not registered with the Securities and Exchange Commission, and not subject to regulatory oversight, the Pennsylvania Local Government Investment Trust acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share and it is rated by a nationally recognized statistical rating organization and subject to an independent annual audit.

NOTE C - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2021, is summarized below:

	Balance December 31, 2020	Additions	Deletions	Balance December 31, 2021
CAPITAL ASSETS BEING DEPRECIATED				
Books and collections	\$ 9,000,465	\$ 370,730	\$ -	\$ 9,371,195
Improvements	492,477	-	-	492,477
Furniture and equipment	113,867	-	-	113,867
Computer equipment	218,327	-	-	218,327
Vehicles	687,778	-	-	687,778
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>10,512,914</u>	<u>370,730</u>	<u>-</u>	<u>10,883,644</u>
ACCUMULATED DEPRECIATION				
Books and collections	(8,279,889)	(362,253)	-	(8,642,142)
Improvements	(492,477)	-	-	(492,477)
Furniture and equipment	(113,864)	-	-	(113,864)
Computer equipment	(207,625)	(2,813)	-	(210,438)
Vehicles	(436,631)	(45,434)	-	(482,065)
TOTAL ACCUMULATED DEPRECIATION	<u>(9,530,486)</u>	<u>(410,500)</u>	<u>-</u>	<u>(9,940,986)</u>
CAPITAL ASSETS, net	<u>\$ 982,428</u>	<u>\$ (39,770)</u>	<u>\$ -</u>	<u>\$ 942,658</u>

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
(A Component Unit of the County of Montgomery)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE D - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's Governmental Fund differs from net position and changes in net position of the governmental activities reported in the statement of net position and statement of activities. This difference primarily results from the long-term economic focus of the statement of net position and statement of activities versus the current financial resources focus of the Governmental Fund balance sheet and statement of revenues, expenses and changes in fund balance.

The following are reconciliations of fund balance to net position and the net change in fund balance to the change in net position.

TOTAL FUND BALANCE--MODIFIED ACCRUAL BASIS	\$ 3,418,153
Amounts reported in the statement of net position are different because:	
Compensated absences are long-term liabilities and are not reported in the Governmental Fund statement.	(228,316)
Capital assets are not financial resources and are not reported in the Governmental Fund statement.	<u>942,658</u>
NET POSITION--FULL ACCRUAL BASIS	<u>\$ 4,132,495</u>
NET CHANGE IN FUND BALANCE--MODIFIED ACCRUAL BASIS	\$ 382,892
Amounts reported in the statement of activities are different because:	
Compensated absences are expensed when earned in the statement of activities and when financial resources are used in the Governmental Fund statement.	25,804
Capital outlays are reported as expenses in the statement of revenues, expenses and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Capital outlays	370,730
Depreciation	<u>(410,500)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL FUND--FULL ACCRUAL BASIS	<u>\$ 368,926</u>

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NOTE E - ASSIGNED FUND BALANCE

Assigned fund balance is comprised of the following:

Board designated	
Employee education	\$ 85,491
Capital projects	198,005
Personnel costs (three months of wages and benefits)	990,093
Emergency operational costs	81,015
Improvements to library services	143,600
Technology	348,946
	<u>\$ 1,847,150</u>

NOTE F - RESTRICTED FUND BALANCE

Restricted fund balance is comprised of the following:

Trusts (Note G)	\$ 53,714
Anne Savacool Master Facilities Plan	14,500
Special Projects	15,682
Comic Festival	1,909
Summer Reading Program	18,659
	<u>\$ 104,464</u>

NOTE G - RESTRICTED TRUSTS

Activity in the restricted trusts occurred as follows in 2021:

	Balance January 1, 2021	Investment Income	Expended	Balance December 31, 2021
Virginia D. Gabel Trust Fund	\$ 15,873	\$ 319	\$ (710)	\$ 15,482
S. Hillegas Trust Fund	7,752	156	(346)	7,562
John J. Pierson Trust Fund	1,845	37	(82)	1,800
Gilda Leigh Trust Fund	7,933	158	(352)	7,739
John Stirling Thompson Trust Fund	3,469	69	(154)	3,384
Patricia Dobbin Memorial Fund	6,460	131	(291)	6,300
Joan M. Trifield Memorial Fund	7,711	156	(346)	7,521
Celeste Cygal Miller Memorial Fund	4,026	81	(181)	3,926
	<u>\$ 55,069</u>	<u>\$ 1,107</u>	<u>\$ (2,462)</u>	<u>\$ 53,714</u>

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NOTE G - RESTRICTED TRUSTS (Continued)

The **Virginia D. Gabel Trust Fund** was established February 7, 1986. The Library is designated as the 100% income beneficiary of assets placed in a perpetual trust. Income is to be used to purchase books in memory of Virginia D. Gabel for the initial 15 years; thereafter, the income may be used for any proper library purpose. In 2003, the Board of Directors resolved to use the income from this trust for employee education.

The **S. Hillegas Trust Fund** was established September 1, 1977. Income is to be used to purchase books on art, drama and music in memory of Sarah Louise Hillegas.

The **John J. Pierson Trust Fund** was established November 12, 1992. Income is to be used to purchase books in memory of John J. Pierson.

The **Gilda Leigh Trust Fund** was established August 1, 1998. Income is to be used to purchase books in memory of Gilda Leigh.

The **John Stirling Thompson Trust Fund** was established June 19, 1998. Income is to be used for books, periodicals, audiovisual recordings and computer software in areas of family services, mental health, public welfare and social services in memory of John Stirling Thompson.

The **Dobbin Trust** primarily funds employee education. The **Trifield** and **Miller Trusts** fund book purchases. Both principal and interest may be used at the discretion of the Board of Directors.

The restricted trusts are invested by the Library in cash and cash equivalents. Investment income on the restricted trusts was expended on book and supply purchases for the year ended December 31, 2021.

Restricted trusts are recorded as part of restricted net position on the statement of net position.

NOTE H - OTHER TRUST INCOME

The Library is an income beneficiary of several trusts not controlled by Library management. These trusts are not recognized as assets on the Library's financial statements. Income earned on these trusts was recognized for the year ended December 31, 2021, as follows:

<u>Trust Funds</u>	<u>Date Established</u>	<u>Investment Income Provided</u>
Benjamin E. Block	Prior to 1970	\$ 11,225
Kirke Bryan	October 21, 1992	9,949
Dorothy M. Wright	June 11, 1972	<u>455</u>
		<u>\$ 21,629</u>

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NOTE H - OTHER TRUST INCOME (Continued)

Income from the Benjamin E. Block Trust is used to purchase books. Income from the other trusts must be used for any element of operations. In 2003, the Board of Directors resolved to designate the income from the trusts, other than the Block Trust, for employee education.

NOTE I - PENSION PLAN

The Library has a defined contribution pension plan for its employees who have completed two years of service. Prior to September 2009, the Library was obligated to contribute 2.75% of salary to the plan for each participating employee. Effective September 2009, the Library will only make annual discretionary contributions, as funding permits. During 2021, the Library contributed \$59,184, 3% of salary to the pension plan for 51 qualified employees.

The total contributions to the pension plan by employees for the year ended December 31, 2021, was \$97,587. The total number of plan members is 23 and all members are considered general employees.

The Library has also established a supplemental retirement annuity plan, which is funded solely through employee contributions.

NOTE J - OPERATING LEASES

The Library leases copy machines and a postage machine in its operations. These leases have been recorded as operating leases, and, accordingly, all rents are charged to expense as incurred. Rental expense on equipment leases included in general administration expense was \$9,599 for the year ended December 31, 2021.

Future minimum payments under lease contracts are as follows:

Year Ending December 31,	
2022	\$ 3,720
2023	<u>2,565</u>
	<u>\$ 6,285</u>

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NOTE K - RELATED-PARTY TRANSACTIONS

The Library provides services and subsidizes the expenses of four branch libraries. Services and subsidized expenses include, but are not limited to:

Volume/Bulk Purchases: By purchasing books and library materials through the Library, all branch libraries receive volume discounts on purchases. Savings are distributed equally.

Cataloging: The Library has staff and resources to catalog books and library materials in a proficient and professional manner. Unit costs per item cataloged are \$27.54.

Salaries and Benefits: The Library employs 55 full-time and 33 part-time persons. Branch libraries employ 27 persons. Branch libraries are subsidized for a portion of employees' gross wages. The percentage varies according to individual agreements negotiated between the Board of Directors of the Library and the branch libraries. All personnel taxes and personnel benefits are subsidized by the Library.

Automation Services: The Library maintains membership in the Montgomery County Library and Information Network Consortium (MCLINC) on behalf of its main library, bookmobiles and branch libraries. MCLINC operates a library automation system for circulating and cataloging library materials, operates a County-wide Wide Area Network and provides for Internet access. MCLINC costs are computed according to a formula that reflects the number of physically separate sites and the number of computer workstations operated at each site. In 2021, MCLINC billed members \$5,339 per site (branch), \$534 per Polaris client workstation and \$173 per Internet-only workstation.

Administration: The Library acts as a management administrator to assist/advise branch libraries with purchases, contracts and human resources.

Expenses incurred on behalf of the branch libraries and related reimbursements are as follows:

<u>Expenses</u>	<u>Reimbursement Revenues</u>	<u>Allocated State Aid</u>	<u>Net Expenses Absorbed by the Library</u>
\$ <u>1,031,842</u>	\$ <u>90,813</u>	\$ <u>311,565</u>	\$ <u>629,464</u>

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NOTE L - DONATED RENT AND SERVICES

The Library uses rent-free buildings and related equipment owned and maintained by Montgomery County. The Library also receives in-kind services from local municipalities. The estimated value for the donated rent and services for the year ended December 31, 2021, is as follows:

Free rent from the County	\$ 495,006
Building maintenance, security and partial insurance and other expenses paid by the County and local municipalities	<u>179,380</u>
	<u>\$ 674,386</u>

Donated rent and services are included as general revenues on the statement of revenues, expenses and changes in fund balance.

NOTE M - RISKS AND UNCERTANITIES

On March 11, 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) outbreak a pandemic which has impacted the global economy. Although no significant financial impact has occurred thus far, the COVID-19 pandemic is still on-going and the duration and extent of the related financial impact on the Library’s financial position, operations and cash flows is uncertain and cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
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BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2021

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
REVENUES				
Montgomery County appropriation	\$ 2,692,704	\$ 2,692,704	\$ 2,692,704	\$ -
State aid appropriations	1,811,902	1,811,902	1,991,058	179,156
Municipal revenue	177,797	177,797	165,572	(12,225)
Endowments and investments	30,000	30,000	24,694	(5,306)
Grants and fundraising	104,500	104,500	194,723	90,223
Fines and service income	63,930	63,930	48,619	(15,311)
TOTAL REVENUES	<u>4,880,833</u>	<u>4,880,833</u>	<u>5,117,370</u>	<u>236,537</u>
EXPENSES				
Salaries and benefits	3,506,969	3,506,969	3,345,866	161,103
Library materials	728,444	728,444	702,098	26,346
Furniture and equipment	39,200	39,200	41,751	(2,551)
Automation costs	110,275	110,275	110,664	(389)
Operating costs	495,945	495,945	534,099	(38,154)
TOTAL EXPENSES	<u>4,880,833</u>	<u>4,880,833</u>	<u>4,734,478</u>	<u>146,355</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,892</u>	<u>\$ 382,892</u>

See accompanying notes to the budgetary comparison schedule.

MONTGOMERY COUNTY-NORRISTOWN PUBLIC LIBRARY
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 NOTES TO THE BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED DECEMBER 31, 2021

NOTE A - BUDGETS AND BUDGETARY ACCOUNTING

The Library adopted an annual budget for the General Fund. The budget is adopted on a basis consistent with the budgetary comparison schedule. The differences between the budgetary comparison schedule and fund financial statements are listed in Note B. Budget amounts are as originally adopted by the Board.

Unexpended budgeted amounts lapse at the end of the budget year. Spending control is established by the amount of expenditures budgeted for the General Fund, but management control is exercised at budgetary line item levels. Encumbrance accounting is not used.

NOTE B - BUDGET-TO-ACTUAL RECONCILIATION

An explanation of the differences between budgetary revenues and expenses and those determined in accordance with accounting principles generally accepted in the United States of America follows:

REVENUES

Actual amount (budgetary basis) from the budgetary comparison schedule	\$ 5,117,370
Differences - budget to GAAP	
In-kind expenses for rent, security and services by Montgomery County is not a budgetary resource	<u>674,386</u>
 TOTAL REVENUES AS REPORTED ON THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE	 \$ <u>5,791,756</u>

EXPENSES

Actual amount (budgetary basis) from the budgetary comparison schedule	\$ 4,734,478
Differences - budget to GAAP	
In-kind expenses for rent, security and services by Montgomery County is not a budgetary resource	<u>674,386</u>
 TOTAL EXPENSES AS REPORTED ON THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE	 \$ <u>5,408,864</u>

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NOTES TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2021

NOTE C - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2021, expenditures exceeded appropriations in the following General Fund object levels (the legal level of budgetary control):

Automation costs	\$	389
Furniture and equipment		2,551
Operating costs		38,154

This excess was offset by revenues in excess of budget amounts and expenditures under budget in other line items.