

FRANKLIN COUNTY LIBRARY SYSTEM

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Franklin County Library System
Chambersburg, Pennsylvania

We have audited the accompanying modified cash basis financial statements of the general fund of the Franklin County Library System (a nonprofit organization), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the general fund of the Franklin County Library System as of and for the year ended December 31, 2015, and the changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Franklin County Library System's basic financial statements. The supplementary information on pages 17-19 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the general fund and do not purport to, and do not present fairly the financial position of the Franklin County Library System, as of December 31, 2015, and the changes in its financial position for the year then ended in accordance with the modified cash basis of accounting. Our opinion is not modified with respect to this matter.

Rotz & Stonesifer, P.C.

Chambersburg, Pennsylvania
May 12, 2016

FRANKLIN COUNTY LIBRARY SYSTEM
BALANCE SHEET
MODIFIED CASH BASIS
DECEMBER 31, 2015

ASSETS

Cash and Cash Equivalents	\$ 985,996
Investments	<u>1,167,718</u>

TOTAL ASSETS \$ 2,153,714

FUND BALANCE

Restricted	\$ 899,075
Committed	207,578
Assigned	28,209
Unassigned	<u>1,018,852</u>

TOTAL FUND BALANCE \$ 2,153,714

FRANKLIN COUNTY LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Revenues

County Library Tax	\$ 1,366,549
State Aid	457,142
Annual Appeal	56,359
Contributions / Memorials / Sponsorships / Grants	159,593
Local Government Support	16,000
Special Events	11,776
Interest and Dividends	48,943
Realized Gain on Sale of Investments	19,298
Unrealized Loss on Investments	(48,091)
Fines	28,086
Photocopies and Printouts	21,636
Video Rental	5,937
Program Fees and Rentals	1,264
Passport Sales	38,029
Miscellaneous Receipts and Sales	4,445
Total Revenues	<u>2,186,966</u>

Expenditures

Salaries and Wages	966,152
Payroll Taxes	93,801
Health Insurance	123,130
Pension	39,896
Audio Visuals	20,335
Books Purchased	146,864
Book Rentals	7,873
Periodicals	17,745
Cataloging and Resource Management System	10,350
Continuing Education	10,156
Dues and Fees	3,070
Fundraising and Special Events	6,635
Furniture and Equipment	25,514
Insurance	28,801
Inter-Library Delivery	5,170
Inter-Library Loan Services	3,636
Library Programs	20,147
Maintenance and Repair - Building	62,691

(Continued)

See accompanying notes to financial statements.

FRANKLIN COUNTY LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Expenditures - continued

Maintenance and Repair - Equipment	957
Maintenance and Repair - Vehicles	15,206
Miscellaneous	1,605
Passport	6,530
Postage	4,882
Printing and Public Relations	19,744
Professional Fees	362,544
Rent - Building	8,700
Rent - Equipment	18,446
Supplies	19,084
Technology and Online Services	93,550
Telephone	10,050
Travel	7,168
Trustee Fees	14,789
Utilities	68,112
Vehicle Fuel	5,453
Principal Payments - Line of Credit	340,000
Interest	3,650
Alexander Hamilton Transfers	210,250
Besore Transfers	2,135
Total Expenditures	2,804,821

Deficiency of Revenues Over Expenditures (617,855)

Fund Balance

January 1, 2015	2,771,569
December 31, 2015	\$ 2,153,714

FRANKLIN COUNTY LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Franklin County Library System (System) is a nonprofit organization incorporated under the laws of the Commonwealth of Pennsylvania. The System is intended as a centralized clearinghouse for branch libraries within a prescribed district. The concept intends to achieve an operating efficiency for the overall district operation and to limit the number of entities competing for governmental grants and/or subsidies. The System receives funds from branch libraries as well as directly from various governmental and other agencies. The System also acts as the central buying and disbursement entity for the System's branch libraries. The System operates under a nine-member board of directors whom are appointed by the County Commissioners of Franklin County, based on the final recommendation of individuals by the Franklin County Library System Board of Directors. These nine directors shall be selected to provide a balanced representation of all public library service areas of the county.

The Franklin County Library System is solely responsible for the operations of the following branch libraries:

- Coyle Free Library - Chambersburg, Pennsylvania
- Grove Family Library - Chambersburg, Pennsylvania
- Saint Thomas Library - Saint Thomas, Pennsylvania
- Fort Loudon Library - Fort Loudon, Pennsylvania

The Franklin County Library System also maintains responsibility for all library service operations, as defined in agreements entered into with the individual advisory boards, for the following branch libraries:

- Besore Memorial Library - Greencastle, Pennsylvania
- Blue Ridge Summit Free Library - Blue Ridge Summit, Pennsylvania

Reporting Entity

The Governmental Accounting Standards Board defines the criteria used to determine the composition of the reporting entity. The standards require that the financial reporting entity consists of (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 definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally-separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial-benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provided financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

FRANKLIN COUNTY LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Reporting Entity - continued

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

Based on the aforementioned criteria, the System is a component unit of the Franklin County. The System Board of Directors is approved by the County. The System does not exercise oversight responsibility over any other organization and no other organization is a component unit of the System.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The System’s basic financial statements are reported using the “current financial resources” measurement focus, as applied to the modified cash basis of accounting. Revenue is recognized when received. Expenditures generally are recorded when paid. Costs for capital outlays and payments for debt service are recognized as expenditures in the period paid.

The System policy is to prepare its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis differs from accounting principles generally accepted in the United States of America in that revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. The System also records the proceeds of loans as receipts and the subsequent loan payments as disbursements, and cash payments for capital items are recorded as disbursements.

When both restricted and unrestricted resources are available for use, it is the System’s policy to use unrestricted budgeted resources first, restricted resources, then unrestricted unbudgeted resources as they are needed.

Budgets and Budgetary Accounting

The Board of Directors adopts annual budgets for the System, which are prepared using the cash basis of accounting. These budgets are not legally required. Therefore, no budgetary comparison schedules are required to supplement the basic financial statements.

Assets, Liabilities and Fund Balance

Investments: Investments are recorded at fair market value. Unrealized appreciation and depreciation due to changes in the fair value of such investments is recognized annually. The System complies with Statement No. 31 of the Governmental Accounting Standards Board, requiring local governments to report all investments at fair value.

FRANKLIN COUNTY LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, Liabilities and Fund Balance – continued

Fund Balance: In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the System classifies fund balance as follows:

- Nonspendable – includes fund balance amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors, contributors, or laws and regulations of other governments, or amounts constrained by law through constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the System through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned – includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes.

Approval of an official motion at a formal meeting by the System Board of Directors is required to establish, modify, or rescind committed fund balance. The System Board of Directors, Executive Director or the Business Manager have the authority to express intended uses of resources that result in assigned fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted resources are available, the System's policy is to spend resources in the following order:

1. Unrestricted – Budgeted
2. Restricted
3. Unrestricted – Unbudgeted

Unless the System Board of Directors specifically approves the use of committed resources, or the System Board of Directors or authorized body or official specifically approves the use of assigned resources, the System's policy is to spend unrestricted resources in the following order:

1. Unassigned
2. Assigned
3. Committed

The System does not have a formal minimum fund balance policy.

FRANKLIN COUNTY LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, Liabilities and Fund Balance – continued

A schedule of fund balance at December 31, 2015, is as follows:

FUND BALANCE:

Restricted

Besore Memorial Library	\$	8,691
Blue Ridge Summit Free Library		10,511
Coyle Free Library		304,887
Coyle Free Library Capital Construction		512,988
Ft. Loudon Library		2,182
Grove Family Library		29,972
St. Thomas Library		13,332
Bookmobile		5,356
Special Projects		7,899
Grants		3,257

Assigned

Blue Ridge Summit Free Library		25,418
Book Buggy		984
Special Projects		1,807

Committed

Franklin County Library System Capital Construction		207,578
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Unassigned

1,018,852

TOTAL FUND BALANCE

\$ 2,153,714

FRANKLIN COUNTY LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenue, expenditures/expenses and disclosures. Actual results could differ from those estimates.

Income Taxes: The System qualifies as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income tax has been made. In addition, the System qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). However, the System engages in the sale of passports, which is considered unrelated business income by the Internal Revenue Service. As such, this income less the related expenses is subject to federal income tax.

The income tax returns of the System for 2013, 2014, and 2015 are subject to examination by the Internal Revenue Service, generally for three years after filed.

Sales Tax: The System collects sales tax on applicable transactions. The amount collected is included in receipts and the remittance is included in disbursements in the financial statements.

Subsequent Events: In preparing these financial statements, the System has evaluated events and transactions for potential recognition or disclosure through May 12, 2016, the date the financial statements were available to be issued.

NOTE 2: DEPOSITS AND INVESTMENTS

The System's investment objective is to provide maximum investment return, consistent with the exercise of good business practice. The assets must be invested with the care, skill and diligence that a prudent person acting in this capacity would use and must have a blend of quality, security and diversification, which will produce both a dependable flow of income and stable growth. In order to meet these objectives, with the least possible risk, assets may be allocated as follows:

- Equities may constitute up to seventy percent of the Fund's market value with a minimum requirement of fifty percent. The target is sixty percent.
- Fixed income securities (including preferred stocks) may constitute up to fifty percent of the Fund's market value with a minimum requirement of thirty percent. The target is thirty-seven percent.
- Cash equivalents may constitute up to twenty percent of the Fund's market value with a minimum requirement of two percent. The target is three percent.

FRANKLIN COUNTY LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2: DEPOSITS AND INVESTMENTS - continued

As of December 31, 2015, the System's investment accounts consist of the following:

Mutual Funds:

Equity - Large	\$ 397,110
Equity - Mid	90,598
Equity - Small	58,532
Equity - Foreign	44,388
Bond	518,534
Cash Equivalents	<u>58,556</u>
Totals	<u><u>\$ 1,167,718</u></u>

Fair market value is determined based on level 1 inputs, which are determined by quoted prices available in an active market.

Asset allocations at December 31, 2015, adhere to the System's investment policy.

Custodial-Credit Risk: Deposits

Custodial-credit risk is the risk that in the event of bank failure, the System's deposits may not be returned to it. As of December 31, 2015, \$743,635 of the System's total deposit account bank balances (including certificates of deposit) of \$994,207 was exposed to custodial-credit risk as follows:

Uninsured and collateralized by assets maintained in conformity with Act 72, held by the pledging financial institution's trust department or agent but not in the System's name.	<u><u>\$ 743,635</u></u>
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Act 72 is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgers of the assets.

FRANKLIN COUNTY LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2: DEPOSITS AND INVESTMENTS - continued

Credit Risk: Investments

As of December 31, 2015, the System had the following investments:

	<u>Rating</u>	<u>Fair Values</u>
Money Markets		
Federated Prime Obligation 10 - Income	AAAm	\$ 47
Federated Prime Obligation 10 - Principal	AAAm	58,509
Mutual Funds - Equities		
Federated Kaufmann Large Cap R6 Fund	4 Star	209,077
JPMorgan Val Adv Select	4 Star	188,033
Vanguard Mid Cap Index Adm Shs	4 Star	20,441
Ivy Mid Cap Growth I	3 Star	34,925
JHancock3 Disciplines Value Mid Cap I	5 Star	35,231
Undiscovered Managers Behavioral Value Inst	5 Star	27,705
Vanguard Small Cap Growth Index Inv	4 Star	30,827
International Value I	5 Star	16,194
T. Rowe Price International GR & Inc Fund Class I	4 Star	28,195
Mutual Funds - Bonds		
Federated Total Return Bond	4 Star	132,861
PIMCO Income Instl	5 Star	123,338
T. Rowe Price Instl Floating Rate	5 Star	145,339
Vanguard Short Term Investment-Grade	4 Star	116,996
		<u>\$ 1,167,718</u>

All investment assets are administered by F&M Trust Company. The System's investment policy limits the composition of its investments as a means of managing its exposure to the risk that an issuer or counterparty will not fulfill its obligation. The System limits investments according to their credit ratings. Mutual funds must have a minimum three star rating by Morningstar and fixed income securities must have a rating of "A" or higher by Moody's or Standard & Poor's.

Interest-Rate Risk

The System's investment policy limits the investment maturities of fixed income securities as a means of managing its exposure to fair-value losses arising from increasing interest rates. Fixed income securities must have no more than fifteen years to expected maturity.

FRANKLIN COUNTY LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2: DEPOSITS AND INVESTMENTS - continued

Concentrations of Credit Risk

The System's investment policy limits the amount allowed to be invested in any one issuer as a means of managing its exposure to credit risk. No more than ten percent of the market value of the investment shall be invested in one single equity. No more than ten percent of the market value of the investment shall be invested in fixed income securities of a single issuer (with the exception of U.S. government issues). Investments in mutual funds are diversified among many different equities and bonds.

Foreign Currency Risk

The System does not have a formal investment policy that limits foreign investments.

As of December 31, 2015, the System had the following foreign investments:

Mutual Funds - Equity - Foreign	<u><u>\$ 44,388</u></u>
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NOTE 3: SHORT-TERM OBLIGATIONS

During the year ended December 31, 2015, short-term obligations changed as follows:

	<u>Balance</u> <u>January 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>December 31, 2015</u>
F&M Non-Revolving Line of Credit	<u>\$ 340,000</u>	<u>\$ -</u>	<u>\$ (340,000)</u>	<u>\$ -</u>

In June of 2005, the System opened a non-revolving line of credit with F&M Trust Company with a maximum borrowing capacity of \$2,200,000. The proceeds were used to fund the capital building project for Grove Family Library. Payment is due on demand, and interest is calculated at a rate that shall be equal to sixty-six (66) percent of the one month London Interbank Offered Rate, plus a margin of one hundred seventy-five (175) basis points, subject to change monthly. The note requires monthly interest payments based on the outstanding balance. The line is secured by a first lien title-insured mortgage on 101 South Ragged Edge Road; a first lien UCC-1 filing on furniture, fixtures, accounts and equipment. Total interest expense on the non-revolving line of credit for the year ended December 31, 2015 was \$3,650.

FRANKLIN COUNTY LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4: PENSION PLAN

The System has a 403(b) tax sheltered annuity plan. The plan is governed by the System, which may amend plan provisions, and which is responsible for the management of plan assets. The System has delegated the authority to manage certain plan assets to Principal Financial Group. Participating employees may contribute up to 15% of their salary, not to exceed certain specified deferral limits. Upon completion of six months of employment and 500 hours of service, the System contributes 5% of their salary. Total contributions by the System for the year ended December 31, 2015 were \$39,896.

NOTE 5: RISK MANAGEMENT

The System is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, and errors or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 6: LEASE OBLIGATIONS

In April 2010, the System entered into a three-year operating lease agreement with the Saint Thomas Township Volunteer Fire and Rescue Company, Inc. to provide both operating and parking facilities for the Saint Thomas Library, which is a branch library of the System. This lease was renewed in April 2013 for an additional three-year period, which expires on April 30, 2016. The lease calls for monthly rental payments of \$725 to the fire company. At the request of the System, this lease may automatically renew for one additional three-year period, with an annual rent not to exceed \$10,000.

The System leases a copier under a sixty (60) month agreement with Great America Leasing Corporation. The lease requires monthly payments of \$250 and was effective January 2012.

The System leases seven copiers under a sixty-three (63) month agreement with Centric. The lease requires monthly payments of \$1,038 and was effective February 2015. An amendment was made to this lease, which requires an additional monthly payment of \$72 and will be effective January 2016.

The System leases three postage meters from Pitney Bowes. Two of these leases require sixty (60) monthly payments of \$107 and \$29, respectively, and were effective July 2012 and July 2014, respectively. The other lease requires forty-eight (48) monthly payments of \$36 and was effective June 2015.

Total rent expense under operating leases for the year ended December 31, 2015 amounted to \$27,146.

FRANKLIN COUNTY LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6: LEASE OBLIGATIONS – continued

Future minimum lease obligations under non-cancelable operating leases with a term greater than one year are as follows for the years ending December 31:

2016	\$ 21,287
2017	14,745
2018	14,102
2019	13,674
2020	4,511
Total minimum lease obligations	<u>\$ 68,319</u>

NOTE 7: CONCENTRATIONS

The Franklin County Library System relies heavily on state and local government funds. In financial accounting, the continuation of an entity's operations is usually assumed in the absence of evidence to the contrary. However, an organization which depends on direct support from governmental agencies is subject to legislative action, which could significantly affect the amount of support it receives. During the year ended December 31, 2015, state and local government funds consisted of 83% of total receipts.

NOTE 8: DONATED PROGRAM SERVICES

A portion of the System's functions are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements because it is not susceptible to objective measurement or valuation.

NOTE 9: CHARITABLE GIFT ANNUITY

In December of 2003, the System was given a charitable gift annuity in the form of 275 shares of M&T Bank Corp stock that had a fair market value of \$25,979 on the date of the donation. The annuity requires quarterly payments of \$292. For the year ended December 31, 2015, interest paid to the annuitants by the System amounted to \$1,169.

FRANKLIN COUNTY LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10: COMMITMENTS

At December 31, 2015, the System had commitments for engineering services and construction contracts relating to the following project:

<u>Project</u>	<u>Amount</u>
Coyle Free Library Building Project	\$ <u>134,515</u>

NOTE 11: SUBSEQUENT EVENTS

The System is expected to receive approximately \$5 million through the Chambersburg Area Municipal Authority from a conduit debt obligation. Although the conduit debt obligation will bear the name of the Authority, they will have no obligation for such debt beyond the resources provided by the loan to the System on whose behalf the debt was issued. The System also opened a \$1 million line of credit in 2016 that will terminate when the conduit debt is issued in June 2016.

Subsequent to December 31, 2015, the System approved the following contracts related to renovations of the temporary location of the Coyle Library during the building project:

SGS Architects Engineers, Inc. - Architectural and MEP Engineering Services	\$ 12,300
RL Abatement, Inc. - Abatement Services	15,240
Teleplus, Inc. - Movement of electronics to temporary Coyle Library location	9,983
	<u>\$ 37,523</u>

SUPPLEMENTARY INFORMATION

FRANKLIN COUNTY LIBRARY SYSTEM
SCHEDULE I - SCHEDULE OF CASH AND TRUST BALANCES, RECEIPTS AND DISBURSEMENTS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>FCLS</u>	<u>Trust FCLS</u>	<u>Trust Covle</u>	<u>IMA Blue Ridge Summit</u>	<u>IMA Covle</u>	<u>IMA FCLS</u>	<u>Special Accounts</u>	<u>Total</u>
Cash and Trust Balances - January 1, 2015	\$ 698,890	\$ 560,796	\$ 264,439	\$ 26,314	\$ 710,064	\$ 152,519	\$ 358,547	\$ 2,771,569
Cash Receipts								
County Library Tax	1,366,549	-	-	-	-	-	-	1,366,549
State Aid	457,142	-	-	-	-	-	-	457,142
Annual Appeal	23,366	-	-	-	-	-	32,993	56,359
Contributions / Memorials / Sponsorships / Grants	47,079	-	-	-	10,209	-	102,305	159,593
Local Government Support	16,000	-	-	-	-	-	-	16,000
Special Events	-	-	-	-	-	-	11,776	11,776
Interest and Dividends	3,152	16,123	7,567	755	15,940	5,298	108	48,943
Realized Gain / (Loss) on Sale of Investments	-	16,880	10,426	(149)	(8,789)	930	-	19,298
Unrealized Gain / (Loss) on Investments	-	(31,964)	(17,488)	(523)	3,584	(1,700)	-	(48,091)
Fines	28,086	-	-	-	-	-	-	28,086
Photocopies and Printouts	21,636	-	-	-	-	-	-	21,636
Video Rental	5,937	-	-	-	-	-	-	5,937
Program Fees and Rentals	823	-	-	-	-	-	441	1,264
Passport Sales	-	-	-	-	-	-	38,029	38,029
Miscellaneous Receipts and Sales	3,213	-	-	-	-	-	1,232	4,445
Transfer of Operating Funds	(291,948)	(20,865)	(10,967)	(679)	(510,045)	(14,999)	849,503	-
Total Cash Receipts	1,681,035	(19,826)	(10,462)	(596)	(489,101)	(10,471)	1,036,387	2,186,966

(Continued)

FRANKLIN COUNTY LIBRARY SYSTEM
SCHEDULE I - SCHEDULE OF CASH AND TRUST BALANCES, RECEIPTS AND DISBURSEMENTS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>FCLS</u>	<u>Trust FCLS</u>	<u>Trust Covle</u>	<u>IMA Blue Ridge Summit</u>	<u>IMA Covle</u>	<u>IMA FCLS</u>	<u>Special Accounts</u>	<u>Total</u>
Cash Disbursements								
Salaries and Wages	961,812	-	-	-	-	-	4,340	966,152
Payroll Taxes	93,801	-	-	-	-	-	-	93,801
Health Insurance	123,130	-	-	-	-	-	-	123,130
Pension	39,896	-	-	-	-	-	-	39,896
Audio Visuals	14,527	-	-	-	-	-	5,808	20,335
Books Purchased	119,667	-	-	-	-	-	27,197	146,864
Book Rentals	7,873	-	-	-	-	-	-	7,873
Periodicals	15,836	-	-	-	-	-	1,909	17,745
Cataloging and Resource Management System	10,350	-	-	-	-	-	-	10,350
Continuing Education	6,156	-	-	-	-	-	4,000	10,156
Dues and Fees	3,070	-	-	-	-	-	-	3,070
Fundraising and Special Events	2,496	-	-	-	-	-	4,139	6,635
Furniture and Equipment	2,285	-	-	-	-	-	23,229	25,514
Insurance	28,801	-	-	-	-	-	-	28,801
Inter-Library Delivery	5,170	-	-	-	-	-	-	5,170
Inter-Library Loan Services	3,636	-	-	-	-	-	-	3,636
Library Programs	10,180	-	-	-	-	-	9,967	20,147
Maintenance and Repair - Building	37,235	-	-	-	-	-	25,456	62,691
Maintenance and Repair - Equipment	957	-	-	-	-	-	-	957
Maintenance and Repair - Vehicles	10,261	-	-	-	-	-	4,945	15,206
Miscellaneous	436	1,169	-	-	-	-	-	1,605
Passport	-	-	-	-	-	-	6,530	6,530

(Continued)

FRANKLIN COUNTY LIBRARY SYSTEM
SCHEDULE I - SCHEDULE OF CASH AND TRUST BALANCES, RECEIPTS AND DISBURSEMENTS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>FCLS</u>	<u>Trust FCLS</u>	<u>Trust Covle</u>	<u>IMA Blue Ridge Summit</u>	<u>IMA Covle</u>	<u>IMA FCLS</u>	<u>Special Accounts</u>	<u>Total</u>
Cash Disbursements - continued								
Postage	4,272	-	-	-	-	-	610	4,882
Printing and Public Relations	9,127	-	-	-	-	-	10,617	19,744
Professional Fees	19,237	-	-	-	-	-	343,307	362,544
Rent - Building	8,700	-	-	-	-	-	-	8,700
Rent - Equipment	18,093	-	-	-	-	-	353	18,446
Supplies	14,805	-	-	-	-	-	4,279	19,084
Technology and Online Services	59,970	-	-	-	-	-	33,580	93,550
Telephone	10,050	-	-	-	-	-	-	10,050
Travel	3,366	-	-	-	-	-	3,802	7,168
Trustee Fees	-	5,527	2,077	300	5,233	1,652	-	14,789
Utilities	68,112	-	-	-	-	-	-	68,112
Vehicle Fuel	5,453	-	-	-	-	-	-	5,453
Principal Payments - Line of Credit	-	-	-	-	-	-	340,000	340,000
Interest	3,650	-	-	-	-	-	-	3,650
Alexander Hamilton Transfers	188,000	-	-	-	-	-	22,250	210,250
Besore Transfers	-	-	-	-	-	-	2,135	2,135
Total Cash Disbursements	<u>1,910,410</u>	<u>6,696</u>	<u>2,077</u>	<u>300</u>	<u>5,233</u>	<u>1,652</u>	<u>878,453</u>	<u>2,804,821</u>
Cash and Trust Balances - December 31, 2015	<u>\$ 469,515</u>	<u>\$ 534,274</u>	<u>\$ 251,900</u>	<u>\$ 25,418</u>	<u>\$ 215,730</u>	<u>\$ 140,396</u>	<u>\$ 516,481</u>	<u>\$ 2,153,714</u>