

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

FINANCIAL STATEMENTS

DECEMBER 31, 2009

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A P R O F E S S I O N A L C O R P O R A T I O N

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Bucks County Free Library (a nonprofit corporation and a component unit of the County of Bucks) as of and for the year ended December 31, 2009, as listed in the Table of Contents. These financial statements are the responsibility of the Library's management. 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bucks County Free Library as of December 31, 2009, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 8 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it. In addition, the schedules of functional expenses and revenues and expenses by individual location on pages 19 through 21 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

June 28, 2010

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

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

The objective of the MD&A is to “enhance the understandability and usefulness of the general purpose financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors.” It is a discussion of the Library’s financial performance during the year that ended on December 31, 2009. Please read it in conjunction with the transmittal letter at the front of this report and the Bucks County Free Library’s financial statements which immediately follow this section.

FINANCIAL HIGHLIGHTS (OVERVIEW):

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

- The Library System’s Net Assets increased by \$698,419 in 2009.
- The Library System’s primary source of revenue is from Bucks County, the total of which represents approximately 54% of the Library System’s total operating revenue for 2009.
- Revenue during this period decreased by \$216,205 or 2% from the prior year. Total expenses decreased by \$101,222, or 1%. It should be noted that 2009 expenses included \$1,181,281 of depreciation.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

Condensed Comparative Financial Statements

The following chart summarizes the financial position of the Library as of December 31, 2009 and 2008.

Statement of Net Assets

	<u>2009</u>	<u>2008</u>
Assets		
Current Assets	\$ 3,824,004	\$ 1,599,413
Investments	4,344,316	3,667,585
Capital Assets, net	<u>3,236,804</u>	<u>2,905,997</u>
Total Assets	<u>\$ 11,405,124</u>	<u>\$ 8,172,995</u>
Liabilities		
Current Liabilities	\$ 2,762,352	\$ 239,139
Compensated Absences	<u>360,746</u>	<u>350,249</u>
Total Liabilities	<u>3,123,098</u>	<u>589,388</u>
Net Assets		
Invested in Capital Assets	3,236,804	2,905,997
Restricted Assets	3,667,961	3,667,585
Unrestricted	<u>1,377,261</u>	<u>1,010,025</u>
Total Net Assets	<u>8,282,026</u>	<u>7,583,607</u>
Total Liabilities and Net Assets	<u>\$ 11,405,124</u>	<u>\$ 8,172,995</u>

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

Condensed Comparative Financial Statements (Continued)

The following chart shows the revenues and expenses of the governmental activities for 2009 and 2008.

Statement of Activities

	<u>2009</u>	<u>2008</u>
Operating Revenues		
State and Local Funding	\$ 9,211,937	\$ 9,276,992
Fines and Lost Cards	352,591	371,400
Copy/Printer Income	45,175	42,673
Grants	44,267	212,737
Contributions	566,886	481,505
Miscellaneous	<u>193,700</u>	<u>245,454</u>
Total Operating Revenues	<u>10,414,556</u>	<u>10,630,761</u>
 Operating and Administrative Expenses	 <u>10,588,070</u>	 <u>10,689,292</u>
 Operating Income	 (173,514)	 (58,531)
Nonoperating Revenue		
Interest and Investment Earnings	<u>871,933</u>	<u>(1,888,617)</u>
 Increase in Net Assets	 698,419	 (1,947,148)
 Net Assets-Beginning of Year	 <u>7,583,607</u>	 <u>9,530,755</u>
 Net Assets-End of Year	 <u>\$ 8,282,026</u>	 <u>\$ 7,583,607</u>

Analysis of overall financial position: Total operating revenues in 2009 were \$10,414,556, a decrease over 2008, representing a decrease of State Aid revenue. Bucks County General Fund allocation to Bucks County Free Library revenue was \$5,578,100 in 2009, an increase of \$162,500 compared to 2008. State Aid to Local Libraries, used to fund library branch operations, was \$2,340,826, a decrease of \$23,143. District Library Aid and County Coordination Aid, used to fund centralized and support services to all Bucks County public libraries, was \$1,232,947 in 2009, compared to \$1,369,025 in 2008. Together, County and State aid account for 88% of the Library's operating revenues.

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

Condensed Comparative Financial Statements (Continued)

Significant transactions and changes in individual funds: There were no significant activities to report in this period.

Budgetary Analysis: Grant and Special Funds income (donation and permanently/temporarily restricted income) were not budgeted as revenue in 2009, but appear in the Schedule of Functional Expenses as expenditures.

Capital Assets and Long-Term Debt: Capital improvements were \$330,807, and included renovation of the Bensalem branch and the purchase of cash registers and related equipment for all branches.

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

Investment Name	Restriction
Brunhouse	Langhorne - Designated by donor as Langhorne only and solely for library collection materials in specific subjects or for library equipment
Michener	Doylestown – Designated by donor as Doylestown only. Board designated as interest or percentage of principal only. Library programs, materials, and facilities with a focus on enhancement and enrichment
Lynaugh and Ross	Doylestown – Designated by donor as Doylestown only and solely for library materials
Weinberger	Doylestown – Designated by donor as Doylestown only and for facilities, capital or operational expenditures; may be used for library materials
Mercer	Doylestown – Original documentation not available; has always been Interest Only and used to generally offset Doylestown operation costs
Melinda Cox	County Wide Staff In-Service Day and Appreciation Awards – Original documentation not available; has always be Interest Only
Disbrow	Yardley – Designated by donor as Yardley only and solely for business related materials and programs. May be “widely interpreted” to benefit the whole library system, such as county wide databases and programs, but must maintain strong local Yardley focus. Funds administered by outside firm which awards annual amount of interest to BCFL based on their formula

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

Condensed Comparative Financial Statements (Continued)

Currently Known Facts, Decisions, or Conditions: The Bucks County budget allocation of County general fund dollars increased by 3% in 2010 and 2009, respectively. Increases to different forms of revenue from state aid were either decreased by 20.8% or were completely eliminated for 2010. We anticipate another funding decrease between 2%-10% for 2011.

The Library completed a cash register implementation project in 2009. It has improved oversight and accounting for cash receipts in the branches. The Library will begin to phase in an electronic time tracking system in 2010. This system will be a hand-touch system that will integrate with our payroll system.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

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

BUCKS COUNTY FREE LIBRARY

STATEMENT OF NET ASSETS

December 31, 2009

ASSETS

	<u>2009</u>
Current Assets	
Cash and Cash Equivalents	\$ 3,402,684
Accounts Receivable	74,878
Prepaid Expenses	346,403
Inventory-Personal Orders	<u>39</u>
Total Current Assets	<u>3,824,004</u>
Investments	
Unrestricted	676,355
Restricted	<u>3,667,961</u>
Total Investments	<u>4,344,316</u>
Capital Assets	45,341,819
Less Accumulated Depreciation	<u>(42,105,015)</u>
Net Capital Assets	<u>3,236,804</u>
 Total Assets	 <u>\$ 11,405,124</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 145,493
Accrued Salaries and Payroll Taxes	134,020
Unearned Revenue	<u>2,482,839</u>
Total Current Liabilities	<u>2,762,352</u>
Compensated Absences	<u>360,746</u>
 Total Liabilities	 <u>3,123,098</u>
Net Assets	
Invested in Capital Assets	3,236,804
Restricted	3,667,961
Unrestricted	<u>1,377,261</u>
Total Net Assets	<u>8,282,026</u>
 Total Liabilities and Net Assets	 <u>\$ 11,405,124</u>

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

BUCKS COUNTY FREE LIBRARY

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2009

	<u>2009</u>
Operating Revenues	
State	
Aid	\$ 3,573,773
Access PA	60,064
Local	
Bucks County-Library Tax Revenue	5,578,100
Fines and Lost Cards	352,591
Copy/Printer Income	45,175
Grants	44,267
Contributions	566,886
Miscellaneous	<u>193,700</u>
Total Operating Revenues	<u>10,414,556</u>
 Operating Expenses	
Program Services	
Library	7,120,863
Pennsylvania Aid	437,378
Pennsylvania Access	31,778
Support Services	
Management and General	1,221,644
Technical	<u>1,776,407</u>
Total Operating Expenses	<u>10,588,070</u>
 Operating Income	<u>(173,514)</u>
 Nonoperating Revenue	
Interest and Investment Earnings	<u>871,933</u>
 Change in Net Assets	698,419
 Net Assets-Beginning of Year	<u>7,583,607</u>
 Net Assets-End of Year	<u>\$ 8,282,026</u>

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

BUCKS COUNTY FREE LIBRARY

STATEMENT OF CASH FLOWS

December 31, 2009

	<u>2009</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 397,766
Receipts from intergovernmental support	9,256,204
Miscellaneous cash income	193,700
Contributions	566,886
Payments to suppliers	(2,043,046)
Payments to employees	(4,783,100)
Net cash provided by operating activities	<u>3,588,410</u>
Cash flows used in capital and related financing activities	
Purchase of property and equipment	<u>(1,512,087)</u>
Net cash used in capital and related financing activities	<u>(1,512,087)</u>
Cash flows from investing activities:	
Purchase of investments	(848,167)
Sale and maturities of investments	<u>827,696</u>
Net cash used in investing activities	<u>(20,471)</u>
Net increase (decrease) in cash and cash equivalents	2,055,852
Cash and cash equivalents, beginning of year	<u>1,346,832</u>
Cash and cash equivalents, end of year	<u>\$ 3,402,684</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	<u>\$ 698,419</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Net unrealized loss (gain) on investments	(656,261)
Depreciation	1,181,281
(Increase) decrease in:	
Accounts receivable	114,932
Prepaid expense/inventory	(283,671)
Increase (decrease) in:	
Accounts payable and accrued expenses	50,335
Accrued salaries and payroll taxes	(7,532)
Unearned revenue	2,480,410
Compensated absences	<u>10,497</u>
Total adjustments	<u>2,889,991</u>
Net cash provided by operating activities	<u>\$ 3,588,410</u>

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

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1. Summary of Significant Accounting Principles

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Based on the accounting and reporting standards set forth in GASB Statement No. 20, Accounting and Financial Reporting for Proprietary fund and other Governmental Entities that use Proprietary Funds Accounting, the Library has opted to apply the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989.

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

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1. Summary of Significant Accounting Principles (Continued)

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

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

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

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

County Dependency: The primary source of funding for this Library is a contribution from Bucks County. During 2009, the contribution was \$5,578,100 from Library Tax Revenue and \$420,000 from a donation of In-Kind rent. This contribution represents approximately 58% of the library's operating revenues.

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

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

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

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1. Summary of Significant Accounting Principles (Continued)

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

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

Building and Improvements	39 years
Furniture and Equipments	3 - 10 years
Library Books and Material	5 years

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

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their quoted fair values in the statement of net assets. Unrealized gains and losses are included in the change in net assets. Donated investments are reflected as contributions at their market values at the date of receipt. For the year ended December 31, 2009, all investments were held in certificates of deposit (reported at cost) or mutual funds (reported at market value). Certain interest earnings, realized gains and losses, and unrealized gains and losses are reported in revenues.

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

In-kind Contributions: In addition to cash contributions, the Organization also receives donated facilities. These goods and services are recorded at their estimated fair value at the time of receipt. The County of Bucks provides six library sites free of rent charges. The Pierce Library Association provides the Samuel Pierce Branch Library site at an annual rent of \$1. The corresponding in-kind contributions received for the year ended December 31, 2009 reflected in these financial statements consisted of \$420,000 in donated facilities.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1. Summary of Significant Accounting Principles (Continued)

Compensated Absences: The Library's policy permits employees to accumulate unused vacation and sick time. These benefits are payable to employees upon separation of services. All leave time is accrued when incurred in the financial statements. A liability for these amounts is reported. At December 31, 2009, the liability for accrued compensated absences is \$360,746.

Advertising: All advertising costs are expensed when incurred.

Net Assets: Pursuant to GASB #34, net assets are presented in classifications as defined as follows:

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

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

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

Recent Accounting Pronouncements: Effective December 31, 2009, as required by the Accounting for Uncertainty in Income Taxes topic of the FASB Standards Codification, the Organization adopted this policy. This topic clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This topic requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. This had no impact on the Organization's financial statements.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2. Retirement Plan

The Library offers a defined contribution plan to eligible employees. Contributions are applied to individual annuities issued to each participant by Teacher's Insurance and Annuity Association and/or college Retirement Equities Fund. Full time employees (24 hours per week) are eligible after one year of service and attainment of age 30. Each participant initially contributes 5% of salary and the Library matches 5%. Library contributions increase as follows:

<u>Age</u>	<u>Years of Service</u>	<u>Contribution</u>
50	10	7%
55	15	9%
60	20	11%

Contributions to the plan were \$195,052 for the year ended December 31, 2009.

NOTE 3. Deposit and Investment Risk

Investments consist of the following at December 31:

	<u>2009</u>
Investment Type	Fair Value
Short Term Reserves	\$ 138,281
Int'l ETF	91,300
Fixed Income	656,129
Equities	<u>3,458,605</u>
Total	<u>\$ 4,344,316</u>

The Library does not have a deposit or investment policy for interest rate risk or custodial credit risk.

As of December 31, 2009, the Library's investments had credit quality ratings by Standard and Poor's as follows:

<u>Investment Type</u>	<u>Credit Quality Rating</u>	<u>Percent of Investment Type</u>
U.S. Government Agencies	AAA	100%

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 3. Deposit and Investment Risk (Continued)

For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Library will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2008, \$250,000 of the Library's cash in the bank was Federal Deposit Insurance Corporation (FDIC) insured and \$3,268,554 was collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Library's name.

The Library does not have a deposit or investment policy for concentration of credit risk. More than 5% of the Library's investments are in Wachovia Bank, N.A. This investment is 48% of the Library's total investments. More than 5% of the Library's investments are in Semper Trust Company. This investment is 52% of the Library's total investments.

NOTE4. Capital Assets

Capital Assets consist of the following at December 31:

	<u>12/31/2008</u>	<u>Additions</u>	<u>12/31/2009</u>
Capital Assets Being Depreciated:			
Building Improvements	\$ 432,183	\$ 349,354	\$ 781,537
Furniture and Fixtures	1,756,823	18,128	1,774,951
Library Book Collections	<u>41,640,725</u>	<u>1,144,606</u>	<u>42,785,331</u>
Total Capital Assets	43,829,731	1,512,088	45,341,819
 Accumulated Depreciation	 <u>(40,923,734)</u>	 <u>(1,181,281)</u>	 <u>(42,105,015)</u>
 Net Capital Assets	 <u>\$ 2,905,997</u>	 <u>\$ 330,807</u>	 <u>\$ 3,236,804</u>

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 5. Operating Leases

The Library leases office equipment under operating lease agreements which require monthly payments ranging from \$24 to \$2,550, and expire at various times through June 2010. Lease expense under all operating leases for the year ended December 31, 2009 was \$45,069.

The following is a schedule of future minimum lease payments required under the operating leases as of December 31, 2009:

For the Year <u>Ending</u>	Amount <u>Due</u>
2010	\$ <u>7,650</u>
Total	\$ <u>7,650</u>

NOTE 6. Termination Benefits

In 2009, the Library offered a Voluntary Early Retirement Incentive Plan to eligible employees in which the employee would be offered a one time lump sum payout. Seven employees took advantage of the plan at a cost to the Library of \$78,500. In addition, the Library offered a severance package to six employees which included a one time lump sum payout at a cost to the Library of \$4,300. All employees were eligible for health insurance under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

NOTE 7. Litigation and Contingencies

During the normal course of performing its duties for the general public which it serves, the Library is subject to potential lawsuits and complaints. At December 31, 2009, there were no claims that management feels would have material effect of the Library's financial position.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 8. Restricted Assets

The Library has investments restricted for use either by the donor or by the board. At December 31, 2009 the purpose restrictions by donors were as follows:

<u>Fund</u>	<u>Restriction</u>	<u>Balance at 12/31/09</u>
Brunhouse	Designated by donor for the Langhorne branch and solely for library collection materials in specific subjects or for library equipment.	\$ 173,692
Disbrow	Designated by the donor for the Yardley branch and solely for business related materials and programs including county wide databases and programs. The funds are administered by an outside firm which awards an annual amount of interest to BCFL.	2,240,675
Weinberger	Designated by donor for the Doylestown branch and for facilities capital or operational expenditures including library materials.	124,189
Lynaugh	Designated by donor for the Doylestown branch and solely for library materials.	23,887
Michener	Designated by donor for the Doylestown branch. The Board has designated the interest and a percentage of principal for Library programs, materials, and facilities with a focus on enhancement and enrichment.	1,058,613
Ross	Designated by donor for the Doylestown branch and solely for library materials.	<u>46,905</u>
	Total	<u>\$ 3,667,961</u>

In addition, the board has designated the following funds at December 31, 2009 for the purpose restrictions as follows:

<u>Fund</u>	<u>Restriction</u>	<u>Balance at 12/31/09</u>
Melinda Cox	Designated by board for County Wide Staff In-Service Day and Appreciation Awards with interest available as unrestricted funds.	\$ 148,683
Mercer	Designated by Board to be used to offset Doylestown operational costs with interest available as unrestricted funds.	<u>527,672</u>
	Total	<u>\$ 676,355</u>

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 9. Subsequent Events

The Library has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 28, 2010, which is the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

SUPPLEMENTAL INFORMATION

BUCKS COUNTY FREE LIBRARY

SCHEDULE 1

SCHEDULE OF FUNCTIONAL EXPENSES

December 31, 2009

	<u>Library Services</u>	<u>Digital and Technical</u>	<u>Program Service Total</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 3,482,264	\$ 778,378	\$ 4,260,642	\$ 522,458	\$ 4,783,100
Payroll Taxes and Benefits	<u>812,908</u>	<u>206,783</u>	<u>1,019,691</u>	<u>115,714</u>	<u>1,135,405</u>
Total Salaries and Employment Expenses	4,295,172	985,161	5,280,333	638,172	5,918,505
Professional Services	201,034	-	201,034	92,681	293,715
Periodical Subscriptions	60,428	-	60,428	-	60,428
Audiovisual/CD Rom Materials	437,883	-	437,883	-	437,883
Supplies	85,604	59,761	145,365	9,589	154,954
Printing and Advertising	41,079	-	41,079	638	41,717
Telecommunications and Telephone	13,854	275,184	289,038	-	289,038
Utilities	387,597	-	387,597	-	387,597
Building Repairs and Maintenance	143,319	-	143,319	-	143,319
Postage	14,797	17,272	32,069	2,402	34,471
Travel and Conference	12,302	17,205	29,507	8,453	37,960
Staff Development	17,633	2,417	20,050	41,429	61,479
Lease Expense	-	45,069	45,069	-	45,069
Computer Equipment	185	32,400	32,585	-	32,585
Insurance	15,854	2,500	18,354	2,389	20,743
O.C.L.C. Palinet	-	66,060	66,060	-	66,060
Technology and Network	146,654	262,495	409,149	-	409,149
Equipment Maintenance and Rent	13,456	-	13,456	-	13,456
Vehicle Expense	15,567	460	16,027	-	16,027
Depreciation	1,181,281	-	1,181,281	-	1,181,281
Bank Fees	21,141	-	21,141	189	21,330
Dues and Membership	11,755	211	11,966	5,702	17,668
Facility Usage	-	-	-	420,000	420,000
State Aid to Public Libraries	437,378	-	437,378	-	437,378
Loss on Disposal	-	-	-	-	-
Pennsylvania Access Fund	31,778	-	31,778	-	31,778
Miscellaneous Expense	<u>4,268</u>	<u>10,212</u>	<u>14,480</u>	<u>-</u>	<u>14,480</u>
Total Expenses	<u>\$ 7,590,019</u>	<u>\$ 1,776,407</u>	<u>\$ 9,366,426</u>	<u>\$ 1,221,644</u>	<u>\$ 10,588,070</u>

BUCKS COUNTY FREE LIBRARY

SCHEDULE 2

SCHEDULE OF REVENUES AND EXPENSES
BY INDIVIDUAL LOCATION

December 31, 2009

	<u>Administrative</u>	<u>Technical Services</u>	<u>District Consultant</u>	<u>Information Technology</u>	<u>Inter Library Loan</u>	<u>Facilities</u>	<u>Library Center</u>
Income							
County Funding	\$ 5,578,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Aid	3,573,773	-	-	-	-	-	-
Donations	517,995	-	-	-	311	-	16,329
Copy/Printer Income	-	-	-	-	-	-	9,161
Pennsylvania Access Funds	60,064	-	-	-	-	-	-
Fines	-	-	-	-	-	-	128,859
Lost Card	-	-	-	-	-	-	2,772
Lost and Damaged Material	-	-	-	-	-	-	17,185
Miscellaneous Grants	5,358	-	24,630	-	-	-	7,429
Miscellaneous Income	1,545	-	-	-	-	750	4,032
Passport Income	-	-	-	-	-	-	-
Book Sales	-	-	-	-	-	-	14,267
Realized/Unrealized Gain	-	-	-	-	-	-	-
Interest Income	154,853	-	-	-	-	-	-
Meeting Room Income	-	-	-	-	-	-	6,470
Total Income	<u>9,891,688</u>	<u>-</u>	<u>24,630</u>	<u>-</u>	<u>311</u>	<u>750</u>	<u>206,504</u>
Expenses							
Salaries and Wages	522,458	539,191	125,803	239,187	93,302	302,570	738,668
Payroll Taxes and Benefits	115,714	151,638	20,264	55,145	27,306	75,006	187,083
Professional Services	92,681	-	46,793	-	-	4,849	51,271
Periodical Subscriptions	-	-	-	-	-	-	-
Audiovisual/CD Rom Materials	-	-	11,901	-	-	-	-
Supplies	9,589	55,107	48,059	4,654	2,149	4,285	9,669
Printing and Advertising	638	-	35,241	-	-	184	1,199
Telecommunications and Telephone	-	-	-	275,184	-	-	3,524
Utilities	-	-	-	-	-	-	128,852
Building Repairs and Maintenance	-	-	-	-	-	387	40,617
Postage	2,402	1,854	343	15,418	7,067	6	3,892
Travel and Conference	8,453	3,942	4,129	13,263	-	3,241	190
Staff Development	41,429	380	16,153	2,037	-	25	-
Lease Expense	-	-	-	45,069	-	-	-
Computer Equipment	-	-	185	32,400	-	-	-
Insurance	2,389	-	-	2,500	-	15,854	-
O.C.L.C. Palinet	-	66,060	-	-	-	-	-
Technology and Network	-	-	729	262,495	1,230	-	-
Equipment Maintenance and Rent	-	-	-	-	-	-	703
Vehicle Expense	-	-	-	460	-	15,334	233
Depreciation	-	-	-	-	-	-	-
Bank Fees	189	-	-	-	-	-	-
Dues and Membership	5,702	-	1,260	211	8,390	-	-
Facility Usage	420,000	-	-	-	-	-	-
State Aid to Public Libraries	437,378	-	-	-	-	-	-
Loss on Disposal	-	-	-	-	-	-	-
Pennsylvania Access Fund	31,778	-	-	-	-	-	-
Miscellaneous Expense	-	-	-	10,212	-	-	-
Total Expenses	<u>1,690,800</u>	<u>818,172</u>	<u>310,860</u>	<u>958,235</u>	<u>139,444</u>	<u>421,741</u>	<u>1,165,901</u>
Net Income Over (Under) Expenses	<u>\$ 8,200,888</u>	<u>\$ (818,172)</u>	<u>\$ (286,230)</u>	<u>\$ (958,235)</u>	<u>\$ (139,133)</u>	<u>\$ (420,991)</u>	<u>\$ (959,397)</u>

<u>Levittown</u>	<u>James A Michener</u>	<u>Penwood</u>	<u>Samuel Pierce</u>	<u>Yardley Makefield</u>	<u>Bensalem</u>	<u>Capital & Investments</u>	<u>Collection Management</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,578,100
-	-	-	-	-	-	-	-	3,573,773
1,402	4,776	6,656	8,388	3,181	7,848	-	-	566,886
11,633	6,223	2,966	3,056	5,839	6,297	-	-	45,175
-	-	-	-	-	-	-	-	60,064
54,769	27,813	24,292	29,523	44,847	33,204	-	-	343,307
1,569	1,094	529	849	1,058	1,413	-	-	9,284
8,409	5,537	4,317	3,215	6,402	5,283	-	-	50,348
-	2,900	-	3,000	-	950	-	-	44,267
37	369	96	80	210	289	-	-	7,408
-	-	-	-	-	89,951	-	-	89,951
2,371	1,929	2,085	4,503	5,493	3,750	-	-	34,398
-	-	-	-	-	-	656,261	-	656,261
-	-	-	-	-	-	60,819	-	215,672
1,290	1,420	385	270	910	850	-	-	11,595
<u>81,480</u>	<u>52,061</u>	<u>41,326</u>	<u>52,884</u>	<u>67,940</u>	<u>149,835</u>	<u>717,080</u>	<u>-</u>	<u>11,286,489</u>
505,318	363,139	272,520	299,378	390,509	391,057	-	-	4,783,100
118,861	103,670	64,396	56,386	93,388	66,548	-	-	1,135,405
9,065	15,807	22,176	9,264	19,312	22,497	-	-	293,715
-	-	-	-	-	-	-	60,428	60,428
-	-	-	-	-	-	-	425,982	437,883
2,892	4,341	1,998	2,773	7,227	2,211	-	-	154,954
651	781	651	651	651	1,070	-	-	41,717
1,482	2,630	1,795	1,704	1,219	1,500	-	-	289,038
45,956	55,346	43,345	43,980	28,404	41,714	-	-	387,597
24,168	6,106	18,122	13,708	20,309	19,902	-	-	143,319
216	-	172	166	-	2,935	-	-	34,471
412	384	322	650	2,633	341	-	-	37,960
-	-	-	40	1,390	25	-	-	61,479
-	-	-	-	-	-	-	-	45,069
-	-	-	-	-	-	-	-	32,585
-	-	-	-	-	-	-	-	20,743
-	-	-	-	-	-	-	-	66,060
-	-	-	-	-	-	-	144,695	409,149
5,464	-	73	616	-	6,600	-	-	13,456
-	-	-	-	-	-	-	-	16,027
-	-	-	-	-	-	1,181,281	-	1,181,281
-	-	-	-	-	-	21,141	-	21,330
-	-	-	263	1,842	-	-	-	17,668
-	-	-	-	-	-	-	-	420,000
-	-	-	-	-	-	-	-	437,378
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	31,778
-	-	-	-	-	-	-	4,268	14,480
<u>714,485</u>	<u>552,204</u>	<u>425,570</u>	<u>429,579</u>	<u>566,884</u>	<u>556,400</u>	<u>1,202,422</u>	<u>635,373</u>	<u>10,588,070</u>
<u>\$ (633,005)</u>	<u>\$ (500,143)</u>	<u>\$ (384,244)</u>	<u>\$ (376,695)</u>	<u>\$ (498,944)</u>	<u>\$ (406,565)</u>	<u>\$ (485,342)</u>	<u>\$ (635,373)</u>	<u>\$ 698,419</u>