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October 18, 2010

OCT 19 2010

Mr. Lawrence Gentile  
Township Manager  
Township of Haverford

Re: Haverford Township Free Library 2009 Financial Statement

Dear Larry:

I am enclosing a copy of the library's audited Financial Statement for the year ended December 31, 2009, as prepared by the accounting firm, Rainer & Company.

Please let me know if you have any questions.

Sincerely yours,

A handwritten signature in cursive script that reads "Christine".

Christine D. Faris  
Library Director  
[faris@haverfordlibrary.org](mailto:faris@haverfordlibrary.org)

Enclosure

**Financial Statements**

**Haverford Township Free Library**  
**(A Component Unit of the**  
**Township of Haverford,**  
**Delaware County, Pennsylvania)**

**December 31, 2009**

***Rainer***  
***& Company***

A Professional Corporation  
Certified Public Accountants

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A Professional Corporation  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Haverford Township Free Library  
Havertown, Pennsylvania

We have audited the accompanying financial statements of the governmental activities and the fund information of Haverford Township Free Library, Havertown, Pennsylvania (a component unit of the Township of Haverford, Delaware County, Pennsylvania) as of and for the year ended December 31, 2009, which collectively comprise the Library's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Haverford Township Free Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the fund information of Haverford Township Free Library as of December 31, 2009, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

  
Rainer & Company

June 1, 2010

**Haverford Township Free Library**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2009**

As management of the Board of Haverford Township Free Library, we offer readers of the Haverford Township Free Library financial statements this narrative overview and analysis of the financial activities of Haverford Township Free Library for the year ended December 31, 2009.

This discussion and analysis is intended to serve as an introduction to Haverford Township Free Library's basic financial statements. The Library's basic financial statements are comprised of 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Library's assets and liabilities. The difference between assets and liabilities is reported as net assets. When assets increase over a period of time without a corresponding increase to liabilities, there is an increase in net assets, which may indicate that the financial position of the Library is improving. Conversely, a decrease in net assets over time may indicate that the financial position of the Library is declining.

The statement of activities presents information showing how the Library's net assets changed during 2009. All changes in net assets are reported as soon as the event occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported for some items that will only result in cash flows in future periods, such as prepaid expenses or accrued payroll taxes.

The government-wide statements distinguish revenues of the Library that are principally supported by the state, county and local government from revenue generating activities which recover a portion of their costs through user charges, fees and fines.

#### **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

The fund financial statements distinguish the financial activities of the governmental funds of Haverford Township Free Library.

**Haverford Township Free Library**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2009**

**GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)**

The fund financial statements focus on individual parts of the Library's operations in more detail than the government-wide statements. The governmental fund statements tell how the Library's general services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about financial relationships where the Library acts solely as a trustee or agent for the benefit of others.

- Governmental Funds - Most of the Library's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Library's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- Fiduciary Funds - The Library is the trustee, or fiduciary, for an endowment. The Library's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the Library's other financial statements because the Library cannot use these assets to finance its operations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**FINANCIAL HIGHLIGHTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Assets**

Current assets increased by \$76,745.

Noncurrent assets decreased by \$19,590, which was a result of \$164,781 in purchases of assets and \$184,371 in current depreciation.

**Haverford Township Free Library**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2009**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)**

**Liabilities**

Current liabilities increased by \$47,383.

The Library does not have any long-term liabilities.

**Total Net Assets**

The Library's total net assets increased by \$9,772, which was a result of current year activity.

Furniture and equipment and the Library's book collection account for 33% of total net assets. The Library follows a comprehensive Collection Development policy, which includes procedures for acquisition and weeding of the collection, to ensure that the book collection is current and maintained in good condition.

The following tables summarize the Library's net assets and changes in net assets:

**Assets:**

Total Current Assets	\$ 1,084,827
Capital Assets, Less Accumulated Depreciation	98,787
Book Collection, Less Accumulated Depreciation	<u>400,559</u>

TOTAL ASSETS	<u>\$ 1,584,173</u>
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**Liabilities:**

Total Current Liabilities	<u>\$ 53,152</u>
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**Net Assets:**

Invested in Capital Assets	499,346
Unrestricted	<u>1,031,675</u>
TOTAL NET ASSETS	<u>1,531,021</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,584,173</u>
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**HAVERFORD TOWNSHIP FREE LIBRARY**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2009**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)**

**Program Revenues:**

State Contributions	\$ 230,820
Township Contributions	970,000
Township Contributions - Use of Facilities	300,000
County Contributions	7,361
Contributions and Gifts	38,448
Fines and Lost Material Charges	53,741
Fees for Services	7,761
Grants	22,384
Video and DVD Income	19,595
Fund Raising	37,213
Other Revenue	9,710
	<hr/>
	1,697,033

**General Revenues:**

Investment Earnings	<hr/>
	24,610

<b>TOTAL REVENUES</b>	<hr/> <hr/>
	1,721,643

**Program Expenses:**

Salaries and Benefits	958,790
Facility Costs	300,000
Books and Periodicals and Audio-Visual	39,080
Telephone and Utilities	80,917
Supplies	23,384
Building and Equipment Maintenance	76,050
Program Expenses	12,758
Seminars and Dues	2,012
Miscellaneous	5,849
Professional Fees	7,627
Postage and Freight	10,021
Fund Raising Expenses	11,012
Depreciation	184,371
	<hr/>
<b>TOTAL EXPENSES</b>	<hr/> <hr/>
	1,711,871

<b>CHANGE IN NET ASSETS</b>	<hr/> <hr/>
	\$ 9,772

**Change in Net Assets**

The Library's total net assets for 2009 increased by \$9,772 compared to 2008. Total revenues for 2009 increased by \$35,129 or 2%. The increase in revenue was the result of a decrease of \$12,328 in state contributions, an increase of \$40,000 in township contributions, an increase of \$15,384 in grant revenue and a decrease of \$14,402 in investment earnings compared to 2008.

Total expenses for 2009 increased by \$50,269 compared to 2008. The increase in expenses was the result of an increase of \$52,571 in salaries and benefits, an increase of \$15,612 in building and equipment maintenance and a decrease of \$23,002 in professional fees.



**Haverford Township Free Library**  
**Management's Discussion and Analysis (Unaudited)**  
December 31, 2009

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

A summary of Revenues, Expenditures and Changes in Fund Balance is as follows:

**Revenues:**

State Contributions	\$ 230,820
Township Contributions	970,000
Township Contributions - Use of Facilities	300,000
County Contributions	7,361
Contributions and Gifts	38,448
Fines and Lost Material Charges	53,741
Fees for Services	7,761
Grants	22,384
Video and DVD Income	19,595
Fund Raising	37,213
Other Revenue	9,710
Interest Income	24,610
<b>TOTAL REVENUES</b>	<u>1,721,643</u>

**Expenditures:**

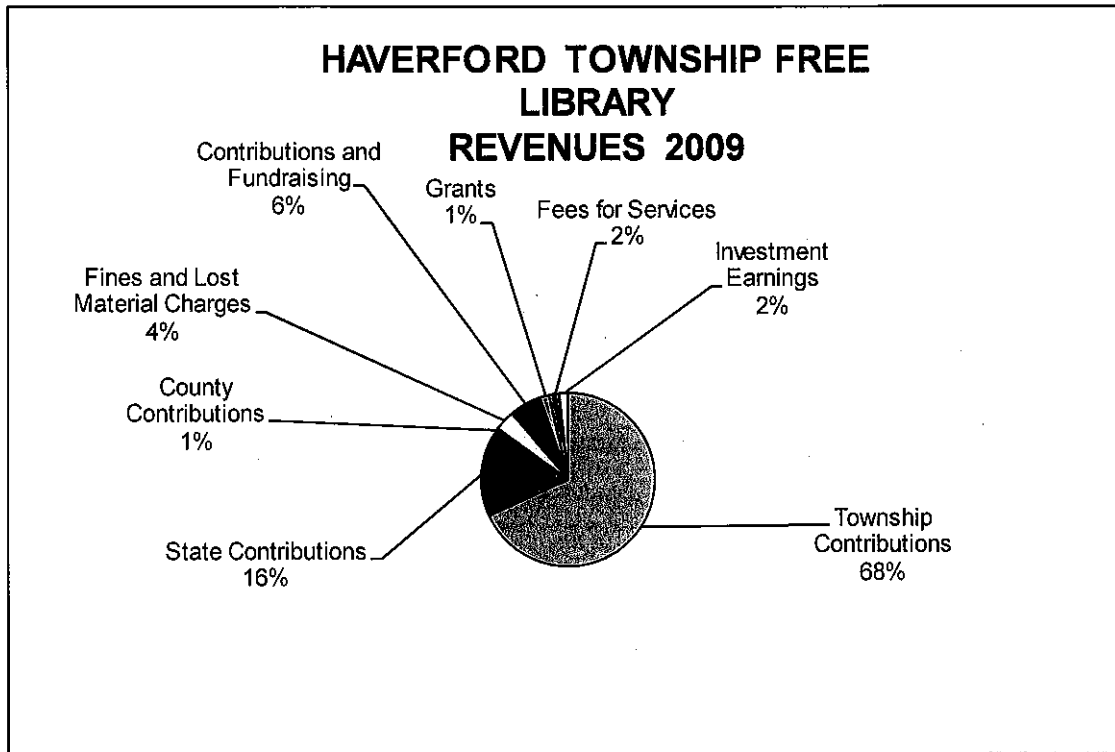
Salaries and Benefits	958,790
Facility Costs	300,000
Books and Periodicals and Audio-Visual	175,366
Telephone and Utilities	80,917
Supplies	23,384
Building and Equipment Maintenance	104,545
Program Expenses	12,758
Seminars and Dues	2,012
Miscellaneous	5,849
Professional Fees	7,627
Postage and Freight	10,021
Fund Raising Expenses	11,012
<b>TOTAL EXPENDITURES</b>	<u>1,692,281</u>
 <b>NET CHANGE IN FUND BALANCE</b>	 <u>\$ 29,362</u>

**Revenues**

Total revenues for 2009 increased by \$35,129 or 2%. The increase in revenue was the result of a decrease of \$12,328 in state contributions, an increase of \$40,000 in township contributions, an increase of \$15,384 in grant revenue and a decrease of \$14,402 in investment earnings compared to 2008.

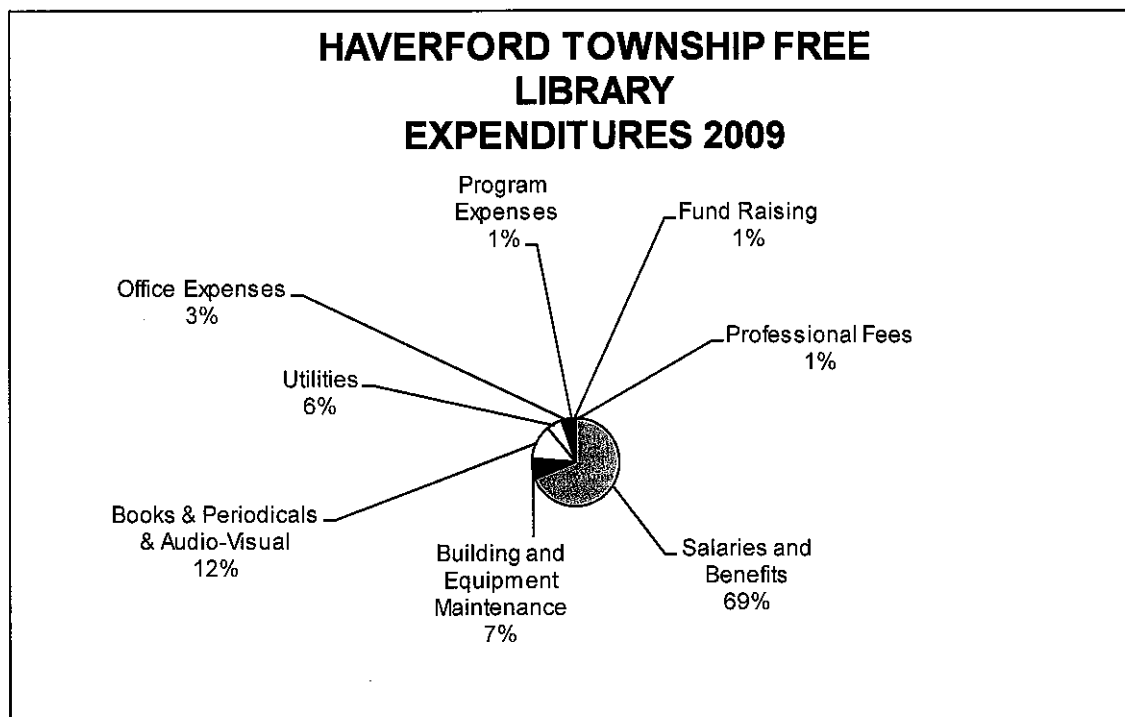
**HAVERFORD TOWNSHIP FREE LIBRARY**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2009**

**GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)**



**Expenditures**

Total expenses for 2009 increased by \$60,179 compared to 2008. The increase in expenses was the result of an increase of \$52,571 in salaries and benefits, a decrease of \$12,825 in purchases for the circulating library, an increase of \$44,107 in building and equipment maintenance and a decrease of \$23,002 in professional fees.



**Haverford Township Free Library**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2009**

**BUDGETARY HIGHLIGHTS**

The Library is not subject to a statutory budget requirement and, accordingly, budget comparisons are not presented in the financial statements. Haverford Township Free Library adopts an annual budget for internal use.

**FINANCIAL POSITION**

The Library's total net assets increased by \$9,772 from 2008.

The Library is located in Delaware County, southeastern Pennsylvania, about 6 miles south of Philadelphia. Haverford Township has approximately 50,000 residents. The Library has broadened its services to children, teens, and adults including the delivery of Library material to homebound Township residents.

The Library enjoys a positive relationship with the community, local commissioners, and State legislatures. We have been the recipients of numerous grants and are looking forward to embarking on a strategic plan that will influence our future visions and goals.

The Library administration, staff, and Trustees are committed to ensuring that the Library provides non-discriminatory services, materials, and programs to all, whether in person or remotely.

**Haverford Township Free Library**  
**Statement of Net Assets**  
**December 31, 2009**

<u>ASSETS</u>	<u>Governmental Activities</u>
Current:	
Cash and Cash Equivalents	\$ 1,084,827
Noncurrent:	
Capital Assets, Less Accumulated Depreciation	98,787
Book Collection, Less Accumulated Depreciation	400,559
TOTAL NONCURRENT ASSETS	<u>499,346</u>
 TOTAL ASSETS	 <u>\$ 1,584,173</u>
 <u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Current:	
Accounts Payable	\$ 50,536
Deferred Revenue	2,616
TOTAL CURRENT LIABILITIES	<u>53,152</u>
Net Assets:	
Invested in Capital Assets	499,346
Unrestricted	1,031,675
TOTAL NET ASSETS	<u>1,531,021</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,584,173</u>

The accompanying notes are an integral part of this statement.

**HAVERFORD TOWNSHIP FREE LIBRARY**  
**Statement of Activities**  
**For the Year Ended December 31, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue and Changes in Net Assets</u>	
		<u>Charges for Service</u>	<u>Operating Grant from State and Local</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Library System	<u>\$ 1,711,871</u>	<u>\$ 81,097</u>	<u>\$ 1,520,565</u>	<u>\$ 75,661</u>	<u>\$ 10,000</u>	<u>\$ (24,548)</u>
General Revenues, Special Items and Transfers:						
						24,610
						9,710
						0
						<u>34,320</u>
						9,772
						<u>1,521,249</u>
						<u>\$ 1,531,021</u>

The accompanying notes are an integral part of this statement.

**Haverford Township Free Library**

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2009**

<u>ASSETS</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 811,704	\$ 273,123	\$ 1,084,827
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 50,536	\$ 0	\$ 50,536
Deferred Revenue	2,616	0	2,616
TOTAL LIABILITIES	<u>53,152</u>	<u>0</u>	<u>53,152</u>
Fund Balances:			
Undesignated	668,735	0	668,735
Designated	89,817	273,123	362,940
TOTAL FUND BALANCES	<u>758,552</u>	<u>273,123</u>	<u>1,031,675</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 811,704</u>	<u>\$ 273,123</u>	<u>\$ 1,084,827</u>

**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**December 31, 2009**

Total Fund Balances - Governmental Funds	\$ 1,031,675
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$1,591,577 and the accumulated depreciation is \$1,092,231	<u>499,346</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 1,531,021</u>

The accompanying notes are an integral part of this statement.

**Haverford Township Free Library**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2009**

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenue:			
State Contributions	\$ 230,820	\$ 0	\$ 230,820
Township Contributions	970,000	0	970,000
Township Contributions - Use of Facilities	300,000	0	300,000
County Contributions	7,361	0	7,361
Contributions and Gifts	38,448	0	38,448
Fines and Lost Material Charges	53,741	0	53,741
Fees for Services	7,761	0	7,761
Grants	22,384	0	22,384
Video and DVD Income	19,595	0	19,595
Fund Raising	37,213	0	37,213
Other Revenue	9,710	0	9,710
Interest Income	17,557	7,053	24,610
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	1,714,590	7,053	1,721,643
	<hr/>	<hr/>	<hr/>
Expenditures:			
Salaries and Benefits	958,790	0	958,790
Facility Costs	300,000	0	300,000
Books and Periodicals and Audio-Visual	175,366	0	175,366
Utilities	80,917	0	80,917
Supplies	23,384	0	23,384
Building and Equipment Maintenance	86,050	18,495	104,545
Program Expenses	12,758	0	12,758
Seminars and Dues	2,012	0	2,012
Miscellaneous	5,849	0	5,849
Professional Fees	7,627	0	7,627
Postage and Freight	10,021	0	10,021
Fund Raising Expenses	11,012	0	11,012
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	1,673,786	18,495	1,692,281
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	40,804	(11,442)	29,362
	<hr/>	<hr/>	<hr/>
Fund Balances - Beginning	717,748	284,565	1,002,313
	<hr/>	<hr/>	<hr/>
FUND BALANCES - ENDING	\$ 758,552	\$ 273,123	\$ 1,031,675
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of this statement.

**HAVERFORD TOWNSHIP FREE LIBRARY**  
**Reconciliation of the Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2009**

Total Net Change in Fund Balance - Governmental Fund	\$ 29,362
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$184,371) exceeds capital outlays (\$164,781) in the period	<u>(19,590)</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><b>\$ 9,772</b></u>

The accompanying notes are an integral part of this statement.



**HAVERFORD TOWNSHIP FREE LIBRARY**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Fund**  
**December 31, 2009**

	<u>Private Purpose Trust Fund</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 44,160</u>
 FUNDS HELD BY HAVERFORD TOWNSHIP FREE LIBRARY	 <u>\$ 44,160</u>

The accompanying notes are an integral part of this statement.

**Haverford Township Free Library**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Fund**  
**For the Year Ended December 31, 2009**

	<u>Private Purpose Trust Fund</u>
Additions:	
Interest Income	\$ 331
Deductions:	
Books	<u>331</u>
CHANGE IN NET ASSETS	0
Net Assets - January 1, 2009	<u>44,160</u>
NET ASSETS - DECEMBER 31, 2009	<u><u>\$ 44,160</u></u>

The accompanying notes are an integral part of this statement.

**HAVERFORD TOWNSHIP FREE LIBRARY**

**Notes to Financial Statements**

**December 31, 2009**

**NOTE 1 - Summary of Significant Accounting Policies**

The Library's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Library are discussed below.

The Library adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments*; Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of January 1, 2003. Certain of the significant provisions in the Statement include the following:

- The financial statements include:
  - ◆ Management Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
  - ◆ Financial statements prepared using full accrual accounting for all of the Library's activities.

**A. Reporting Entity**

The Library is a component unit of the Township of Haverford, Delaware County, Pennsylvania because the Library is dependent on the Township for both financial resources and for the appointment of the four out of seven Board members.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Library.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**Haverford Township Free Library**  
**Notes to Financial Statements**  
**December 31, 2009**

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Library reports the following major government fund:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

Additionally, the Library reports the following fund type:

Fiduciary Fund - Fiduciary Funds are used to account for assets held by the Library in a trustee capacity or as an agent for individuals, private organizations, or other governments. The Library's fiduciary fund is a private-purpose trust fund. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended in accordance with a trust agreement, and are accounted for in essentially the same manner as proprietary funds.

**D. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

**HAVERFORD TOWNSHIP FREE LIBRARY**  
**Notes to Financial Statements**  
**December 31, 2009**

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Leasehold Improvements	20 Years
Furniture and Equipment	3-10 Years
Book Collection	5 Years

**E. Cash Deposited in Financial Institution**

The Library maintains cash balances at four financial institutions. The accounts in these financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. In the normal course of business, the Library may have deposits that exceed the insured balances.

**F. Exhaustible Collections and Books**

Collections and books that are exhaustible are capitalized; books used in the circulating library have not been capitalized because their estimated useful lives are less than one year.

**G. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**H. Income Taxes**

Haverford Township Free Library is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

**NOTE 2 - Revenues**

Haverford Township Free Library is considered a component unit of the Township of Haverford, Delaware County, Pennsylvania. The majority of the Library Board is officially appointed by the Township Board of Commissioners. The Library receives a substantial amount of its support from the Township. During 2009, the contributions from the Township totaled \$970,000. A significant reduction in the level of this support, if this were to occur, may have an effect on the Library's programs and activities. In addition, the Township allows the Library free use of the building that houses the Library. The estimated value of the rental expense and other related expenses amounted to \$300,000 for the year ended December 31, 2009.

**NOTE 3 - Statewide Access Grant**

Statewide access grant funds totaling \$12,125 have been received to supplement local funding for the general operations of the Library. Libraries receiving reimbursement under this program must expend that money for Library purposes by the end of the fiscal year following that in which the reimbursement was made. Funds not so spent must be returned to the State Library.

**HAVERFORD TOWNSHIP FREE LIBRARY**  
Notes to Financial Statements  
December 31, 2009

**NOTE 4 - Deposits and Investments**

Deposits - As of December 31, 2009, the total carrying amount of the Library's deposits was \$1,128,987, and the corresponding bank balance was \$1,349,333.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a policy for custodial credit risk. The bank balances are covered by federal depository insurance.

Custodial Credit Risk - Investments - For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Library has no investment subject to custodial credit risk.

Interest Rate Risk - The Library has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Library has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk - The Library has no investment policy that would limit the amount the Library may invest in one issuer.

**NOTE 5 - Capital Assets**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets:				
Leasehold Improvements	\$ 101,041	\$ 28,495	\$ 0	\$ 129,536
Furniture and Equipment	130,702	0	20,978	109,724
TOTAL CAPITAL ASSETS	<u>231,743</u>	<u>28,495</u>	<u>20,978</u>	<u>239,260</u>
Accumulated Depreciation for:				
Leasehold Improvements	29,340	19,779	0	49,119
Furniture and Equipment	99,638	12,694	20,978	91,354
TOTAL ACCUMULATED DEPRECIATION	<u>128,978</u>	<u>32,473</u>	<u>20,978</u>	<u>140,473</u>
CAPITAL ASSETS, NET	<u>\$ 102,765</u>	<u>\$ (3,978)</u>	<u>\$ 0</u>	<u>\$ 98,787</u>
Book Collection:				
Exhaustible Book Collection	\$ 1,429,011	\$ 136,286	\$ 212,980	\$ 1,352,317
Accumulated Depreciation for:				
Book Collection	1,012,840	151,898	212,980	951,758
BOOK COLLECTION, NET	<u>\$ 416,171</u>	<u>\$ (15,612)</u>	<u>\$ 0</u>	<u>\$ 400,559</u>

Depreciation expense was \$184,371 for the year ended December 31, 2009.

**Haverford Township Free Library**  
**Notes to Financial Statements**  
**December 31, 2009**

**NOTE 6 - Designation of Fund Balance**

The Library's board of trustees has chosen to place the following limitations on fund balances:

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Designated for Future Purchase of Books	\$ 89,817	\$ 0	\$ 89,817
Designated for Capital Projects	0	234,224	234,224
Designated for Parking Lot and Building Improvements	0	38,899	38,899
Undesignated	<u>668,735</u>	<u>0</u>	<u>668,735</u>
 <b>TOTAL FUND BALANCES</b>	 <b><u>\$ 758,552</u></b>	 <b><u>\$ 273,123</u></b>	 <b><u>\$ 1,031,675</u></b>

**NOTE 7 - Pension Plan**

The Library participates in the Township of Haverford's Civilian Employee Pension Plan. The pension plan is funded by employee contributions, state aid, and if necessary, the Township. Benefit and contribution provisions are established by Pennsylvania law; principally, the Pennsylvania Municipal Pension Plan Funding and Recovery Act 205, and may be amended only as allowed by such law. Library employee contributions are 2.75% of gross earnings per month. The state aid received is based upon the number of active pension plan members' salaries and the pension plan's funding requirements (minimum municipal obligation) and the amount of employee contributions. The Library's pension expense was \$40,000 for the year ended December 31, 2009.

**NOTE 8 - Subsequent Events**

The Library has evaluated subsequent events through June 1, 2010, which represents the date the financial statements were available to be issued.