

Financial Statements

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

December 31, 2012

*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, each major fund, and the aggregate remaining 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, 2012, and the related notes to the financial statements, which collectively comprise the Library'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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from 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 entity'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 entity'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 opinions.

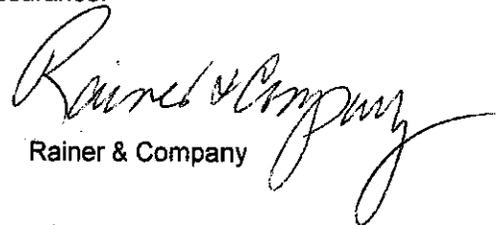
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Haverford Township Free Library as of December 31, 2012, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Rainer & Company

July 10, 2013

Haverford Township Free Library
Management's Discussion and Analysis (Unaudited)
December 31, 2012

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, 2012.

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 position presents information on all of the Library's assets and liabilities. The difference between assets and liabilities is reported as net position. When assets increase over a period of time without a corresponding increase to liabilities, there is an increase in net position, which may indicate that the financial position of the Library is improving. Conversely, a decrease in net position 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 position changed during 2012. All changes in net position 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, 2012

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 Position 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 Position. 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 \$71,899.

Noncurrent assets increased by \$1,521, which was a result of \$173,825 in purchases of assets and \$172,304 in current depreciation.

Haverford Township Free Library
Management's Discussion and Analysis (Unaudited)
December 31, 2012

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

Liabilities

Current liabilities increased by \$1,586.

The Library does not have any long-term liabilities.

Total Net Position

The Library's total net position increased by \$71,834, which was the result of current year activity.

Furniture and equipment and the Library's book collection account for 31% of total net position. 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 position and changes in net position:

Assets:

Total Current Assets	\$ 1,213,263
Capital Assets, Less Accumulated Depreciation	136,022
Book Collection, Less Accumulated Depreciation	<u>386,154</u>
TOTAL ASSETS	<u>\$ 1,735,439</u>

Liabilities:

Total Current Liabilities	<u>\$ 67,332</u>
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Net Position:

Invested in Capital Assets	522,176
Unrestricted	<u>1,145,931</u>
TOTAL NET POSITION	<u>1,668,107</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,735,439</u>
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HAVERFORD TOWNSHIP FREE LIBRARY
Management's Discussion and Analysis (Unaudited)
December 31, 2012

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

Program Revenues:

State Contributions	\$ 152,727
Township Contributions	1,076,365
Township Contributions - Use of Facilities	300,000
County Contributions	7,774
Contributions and Gifts	21,002
Fines and Lost Material Charges	54,775
Fees for Services	6,915
Grants	3,500
Video and DVD Income	22,031
Fund Raising	64,616
Other Revenue	2,258
	<hr/>
	1,711,963

General Revenues:

Investment Earnings	8,557
	<hr/>

TOTAL REVENUES	<hr/> <u>1,720,520</u>
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Program Expenses:

Salaries and Benefits	925,086
Facility Costs	300,000
Books and Periodicals and Audio-Visual	41,074
Utilities	66,848
Supplies	32,954
Building and Equipment Maintenance	50,693
Program Expenses	14,289
Seminars and Dues	3,400
Furniture and Equipment	2,437
Miscellaneous	9,748
Professional Fees	8,932
Fund Raising Expenses	20,921
Depreciation	172,304
	<hr/>
TOTAL EXPENSES	1,648,686

CHANGE IN NET POSITION	<hr/> <u>\$ 71,834</u>
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Change in Net Position

The Library's total net position for 2012 increased by \$71,834. Total revenues for 2012 increased by \$78,686 or 5%. The increase in revenue was primarily the result of an increase of \$62,414 in township contributions, a decrease of \$11,460 of contributions and gifts, an increase of \$9,946 in fines and lost material charges, an increase of \$18,630 in fundraising revenue and a decrease of \$7,479 in other revenue compared to 2011.

Total expenses for 2012 increased by \$54,069 compared to 2011. The decrease in expenses was the result of an increase of \$82,045 in salaries and benefits, a decrease of \$21,242 in utilities and a decrease of \$16,962 in building and equipment maintenance.

Haverford Township Free Library
Management's Discussion and Analysis (Unaudited)
December 31, 2012

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

Revenues:

State Contributions	\$ 152,727
Township Contributions	1,076,365
Township Contributions - Use of Facilities	300,000
County Contributions	7,774
Contributions and Gifts	21,002
Fines and Lost Material Charges	54,775
Fees for Services	6,915
Grants	3,500
Video and DVD Income	22,031
Fund Raising	64,616
Other Revenue	2,258
Interest Income	8,557
TOTAL REVENUES	<u>1,720,520</u>

Expenditures:

Salaries and Benefits	925,086
Facility Costs	300,000
Books and Periodicals and Audio-Visual	206,370
Utilities	66,848
Supplies	32,954
Building and Equipment Maintenance	50,693
Program Expenses	14,289
Seminars and Dues	3,400
Furniture and Equipment	10,966
Miscellaneous	9,748
Professional Fees	8,932
Fund Raising Expenses	20,921
TOTAL EXPENDITURES	<u>1,650,207</u>

NET CHANGE IN FUND BALANCE \$ 70,313

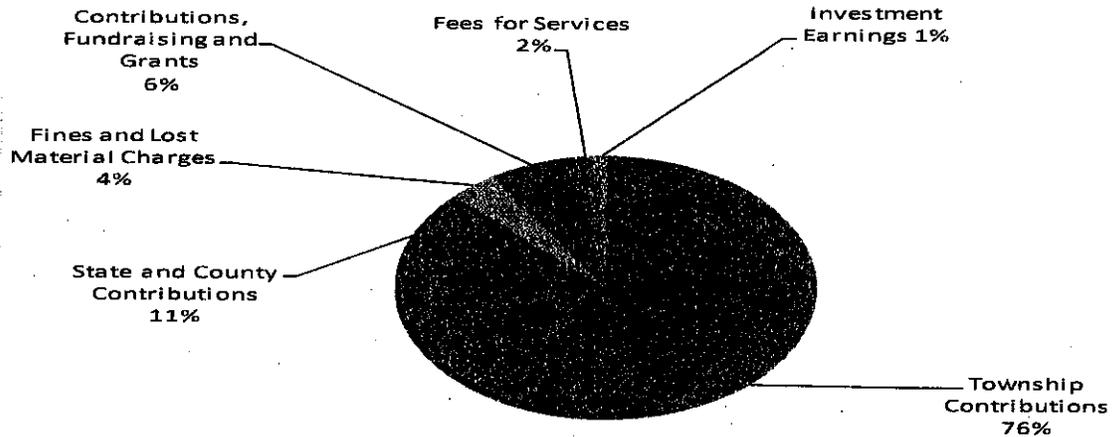
Revenues

Total revenues for 2012 increased by \$78,686 or 5%. The increase in revenue was primarily the result of an increase of \$62,414 in township contributions, a decrease of \$11,460 of contributions and gifts, an increase of \$9,946 in fines and lost material charges, an increase of \$18,630 in fundraising revenue and a decrease of \$7,479 in other revenue compared to 2011.

HAVERFORD TOWNSHIP FREE LIBRARY
Management's Discussion and Analysis (Unaudited)
December 31, 2012

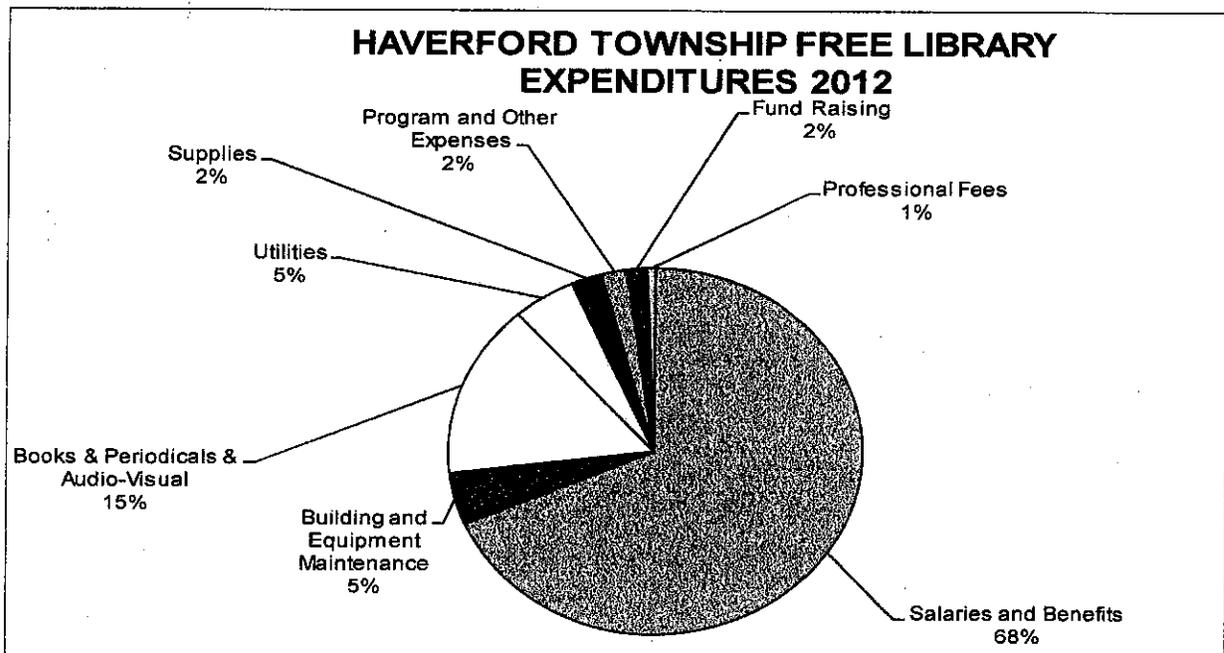
GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)

HAVERFORD TOWNSHIP FREE LIBRARY
REVENUES 2012



Expenditures

Total expenses for 2012 increased by \$11,231 compared to 2011. The increase in expenses was the result of an increase of \$82,045 in salaries and benefits, an increase of \$13,072 in purchases for the circulating library, a decrease of \$21,242 in utilities, a decrease of \$76,179 in building and equipment maintenance and an increase of \$7,526 in fund raising expenses.



Haverford Township Free Library
Management's Discussion and Analysis (Unaudited)
December 31, 2012

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 position increased by \$71,834 from 2011.

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 Position
December 31, 2012

<u>ASSETS</u>	<u>Governmental Activities</u>
Current:	
Cash and Cash Equivalents	\$ 1,213,263
Noncurrent:	
Capital Assets, Less Accumulated Depreciation	136,022
Book Collection, Less Accumulated Depreciation	386,154
TOTAL NONCURRENT ASSETS	<u>522,176</u>
TOTAL ASSETS	<u>\$ 1,735,439</u>
<u>LIABILITIES AND NET POSITION</u>	
Liabilities:	
Current:	
Accounts Payable	\$ 60,832
Deferred Revenue	6,500
TOTAL LIABILITIES	<u>67,332</u>
Net Position:	
Invested in Capital Assets	522,176
Unrestricted	1,145,931
TOTAL NET POSITION	<u>1,668,107</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,735,439</u>

The accompanying notes are an integral part of this statement.

HAVERFORD TOWNSHIP FREE LIBRARY
Statement of Activities
For the Year Ended December 31, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue and Changes in Net Position</u>	
		<u>Charges for Service</u>	<u>Operating Grant from State and Local</u>		<u>Operating Grants and Contributions</u>
Library System	<u>\$ 1,648,686</u>	<u>\$ 83,721</u>	<u>\$ 1,540,366</u>	<u>\$ 85,618</u>	<u>\$ 61,019</u>
General Revenues, Special Items and Transfers:					
				8,557	
				2,258	
				<u>10,815</u>	
					71,834
					<u>1,596,273</u>
					<u>\$ 1,668,107</u>

The accompanying notes are an integral part of this statement.

HAVERFORD TOWNSHIP FREE LIBRARY

Balance Sheet
Governmental Funds
December 31, 2012

<u>ASSETS</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	<u>\$ 986,604</u>	<u>\$ 226,659</u>	<u>\$ 1,213,263</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 60,832	\$ 0	\$ 60,832
Deferred Revenue	6,500	0	6,500
TOTAL LIABILITIES	<u>67,332</u>	<u>0</u>	<u>67,332</u>
Fund Balances:			
Committed	93,799	226,659	320,458
Unassigned	825,473	0	825,473
TOTAL FUND BALANCES	<u>919,272</u>	<u>226,659</u>	<u>1,145,931</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 986,604</u>	<u>\$ 226,659</u>	<u>\$ 1,213,263</u>

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2012

Total Fund Balances - Governmental Funds	\$ 1,145,931
Amounts reported for governmental activities in the statement of net position 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 \$2,144,903 and the accumulated depreciation is \$1,622,727	<u>522,176</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 1,668,107</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, 2012

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Govern- mental Funds</u>
Revenue:			
State Contributions	\$ 152,727	\$ 0	\$ 152,727
Township Contributions	1,076,365	0	1,076,365
Township Contributions - Use of Facilities	300,000	0	300,000
County Contributions	7,774	0	7,774
Contributions and Gifts	21,002	0	21,002
Fines and Lost Material Charges	54,775	0	54,775
Fees for Services	6,915	0	6,915
Grants	3,500	0	3,500
Video and DVD Income	22,031	0	22,031
Fund Raising	64,616	0	64,616
Other Revenue	2,258	0	2,258
Interest Income	7,065	1,492	8,557
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	1,719,028	1,492	1,720,520
	<hr/>	<hr/>	<hr/>
Expenditures:			
Salaries and Benefits	925,086	0	925,086
Facility Costs	300,000	0	300,000
Books and Periodicals and Audio-Visual	206,370	0	206,370
Utilities	66,848	0	66,848
Supplies	32,954	0	32,954
Building and Equipment Maintenance	50,693	0	50,693
Program Expenses	14,289	0	14,289
Seminars and Dues	3,400	0	3,400
Furniture and Equipment	10,966	0	10,966
Miscellaneous	9,748	0	9,748
Professional Fees	8,932	0	8,932
Fund Raising Expenses	20,921	0	20,921
TOTAL EXPENDITURES	1,650,207	0	1,650,207
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	68,821	1,492	70,313
Fund Balances - Beginning	850,451	225,167	1,075,618
	<hr/>	<hr/>	<hr/>
FUND BALANCES - ENDING	\$ 919,272	\$ 226,659	\$ 1,145,931
	<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, 2012

Total Net Change in Fund Balance - Governmental Fund	\$ 70,313
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 capital outlays (\$173,825) exceeds depreciation expense (\$172,304) in the period	<u>1,521</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 71,834</u></u>

The accompanying notes are an integral part of this statement.

HAVERFORD TOWNSHIP FREE LIBRARY
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2012

	<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 Position
Fiduciary Fund
For the Year Ended December 31, 2012

	<u>Private Purpose Trust Fund</u>
Additions:	
Interest Income	\$ 250
Deductions:	
Books	<u>250</u>
 CHANGE IN NET POSITION	 0
 Net Position - January 1, 2012	 <u>44,160</u>
 NET POSITION - DECEMBER 31, 2012	 <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, 2012

NOTE 1 - Summary of Significant Accounting Policies

The Library's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (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 position 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, 2012

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 funds:

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.

Capital Projects Fund - The Capital Projects Fund is used for financial resources to be used for the acquisition or construction of major capital purchases.

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.

Governmental Fund Balances

The Library has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions as of January 1, 2012. The intention of the statement is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Library's financial statements. The statement establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be used only for specific purposes because of state or federal laws, or externally imposed by grantors or creditors.

HAVERFORD TOWNSHIP FREE LIBRARY
Notes to Financial Statements
December 31, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Balances (Continued)

Committed - Amounts that can be used only for specific purposes determined by a formal action by the Board of Directors resolution.

Assigned - Amounts the Library intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

D. Capital Assets

Capital assets, which include leasehold improvements 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.

Capital assets are 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 two financial institutions. The accounts in these financial institutions are insured by the Federal Deposit Insurance Corporation. 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.

Haverford Township Free Library
Notes to Financial Statements
December 31, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued)

G. Use of Estimates

The preparation of financial statements in accordance 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 2012, the contributions from the Township totaled \$1,076,365. 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, 2012.

NOTE 3 - Deposits and Investments

Deposits - As of December 31, 2012, the total carrying amount of the Library's deposits was \$1,257,423, and the corresponding bank balance was \$1,275,414.

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.

HAVERFORD TOWNSHIP FREE LIBRARY
Notes to Financial Statements
December 31, 2012

NOTE 4 - Capital Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets:				
Leasehold Improvements	\$ 186,822	\$ 8,529	\$ 0	\$ 195,351
Furniture and Equipment	129,890	0	0	129,890
TOTAL CAPITAL ASSETS	<u>316,712</u>	<u>8,529</u>	<u>0</u>	<u>325,241</u>
Accumulated Depreciation for:				
Leasehold Improvements	63,602	10,068	0	73,670
Furniture and Equipment	109,715	5,834	0	115,549
TOTAL ACCUMULATED DEPRECIATION	<u>173,317</u>	<u>15,902</u>	<u>0</u>	<u>189,219</u>
CAPITAL ASSETS, NET	<u>\$ 143,395</u>	<u>\$ (7,373)</u>	<u>\$ 0</u>	<u>\$ 136,022</u>
Book Collection:				
Exhaustible Book Collection	\$ 1,654,366	\$ 165,296	\$ 0	\$ 1,819,662
Accumulated Depreciation for:				
Book Collection	1,277,106	156,402	0	1,433,508
BOOK COLLECTION, NET	<u>\$ 377,260</u>	<u>\$ 8,894</u>	<u>\$ 0</u>	<u>\$ 386,154</u>

NOTE 5 - Fund Balances

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Committed for Future Purchase of Books	\$ 93,799	\$ 0	\$ 93,799
Committed for Future Capital Projects	0	187,760	187,760
Committed for Parking Lot and Building Improvements	0	38,899	38,899
Unassigned	825,473	0	825,473
TOTAL FUND BALANCES	<u>\$ 919,272</u>	<u>\$ 226,659</u>	<u>\$ 1,145,931</u>

Haverford Township Free Library

Notes to Financial Statements

December 31, 2012

NOTE 6 - 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 3.4% 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 contribution was \$51,515 for the year ended December 31, 2012.

NOTE 7 - Subsequent Events

The Library has evaluated subsequent events through July 10, 2013 which represents the date the financial statements were available to be issued.