

Dauphin County Library System

Financial Statements and Supplementary Information

December 31, 2017 and 2016



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Dauphin County Library System

Table of Contents

December 31, 2017 and 2016

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4 and 5
Statement of Cash Flows	6
Notes to Financial Statements	7 to 28
SUPPLEMENTARY INFORMATION	
Statement of Operating and Non-Operating Support and Revenue	29
Statement of Functional Expenses	30 and 31



Independent Auditor's Report

To the Board of Trustees
Dauphin County Library System
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Dauphin County Library System (the Library), which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dauphin County Library System as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Handwritten signature in black ink that reads "RKL LLP". The letters are cursive and somewhat stylized.

June 13, 2018
Harrisburg, Pennsylvania

Dauphin County Library System

Statement of Financial Position

	December 31,	
	2017	2016
Assets		
Cash and cash equivalents	\$ 4,751,996	\$ 5,428,870
Accounts receivable	121,522	106,123
Pledges receivable, net	20,977	32,927
Prepaid expenses	260,890	197,881
Fixed assets, net	13,541,786	13,862,820
Endowment funds held	2,809,440	2,253,232
Beneficial interests held by third parties	1,607,239	1,482,864
Total Assets	\$ 23,113,850	\$ 23,364,717
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 392,010	\$ 395,762
Accrued payroll, vacation, payroll taxes, and withholdings	306,454	278,518
Deferred revenue	1,552	7,912
Defined benefit pension plan obligation	599,674	1,414,195
Total Liabilities	1,299,690	2,096,387
Net Assets		
Unrestricted	18,152,484	18,222,860
Temporarily restricted	697,983	491,561
Permanently restricted	2,963,693	2,553,909
Total Net Assets	21,814,160	21,268,330
Total Liabilities and Net Assets	\$ 23,113,850	\$ 23,364,717

Dauphin County Library System

Statement of Activities

	Year Ended December 31, 2017			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenue				
Tax appropriations	\$ 6,008,713	\$ -	\$ -	\$ 6,008,713
Grants	212,927	-	-	212,927
Contributions	312,485	124,978	290,742	728,205
Operating revenue	191,076	-	-	191,076
Net assets released from restrictions	96,306	(96,306)	-	-
Total Support and Revenue	6,821,507	28,672	290,742	7,140,921
Operating Expenses				
Library services	6,315,574	-	-	6,315,574
Supporting services				
Management and general	1,188,723	-	-	1,188,723
Fundraising	415,677	-	-	415,677
Total Operating Expenses	7,919,974	-	-	7,919,974
Net Change from Operations	(1,098,467)	28,672	290,742	(779,053)
Non-Operating Revenue				
Investment income	52,616	172,417	-	225,033
Changes in the fair value of:				
Beneficial interests held by third parties	-	5,333	119,042	124,375
Endowment funds held	157,903	-	-	157,903
Pension related changes other than net periodic pension cost	817,572	-	-	817,572
Total Non-Operating Income	1,028,091	177,750	119,042	1,324,883
Changes in Net Assets	(70,376)	206,422	409,784	545,830
Net Assets at Beginning of Year	18,222,860	491,561	2,553,909	21,268,330
Net Assets at End of Year	\$ 18,152,484	\$ 697,983	\$ 2,963,693	\$ 21,814,160

Dauphin County Library System

Statement of Activities (continued)

	Year Ended December 31, 2016			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenue				
Tax appropriations	\$ 5,980,449	\$ -	\$ -	\$ 5,980,449
Grants	151,782	50,000	-	201,782
Contributions	325,384	153,973	130,022	609,379
Operating revenue	206,892	-	-	206,892
Net assets released from restrictions	207,013	(207,013)	-	-
Total Support and Revenue	6,871,520	(3,040)	130,022	6,998,502
Operating Expenses				
Library services	6,138,618	-	-	6,138,618
Supporting services				
Management and general	1,047,342	-	-	1,047,342
Fundraising	361,184	-	-	361,184
Total Operating Expenses	7,547,144	-	-	7,547,144
Net Change from Operations	(675,624)	(3,040)	130,022	(548,642)
Non-Operating Revenue				
Investment income	11,487	24,433	-	35,920
Changes in the fair value of:				
Beneficial interests held by third parties	-	(1,107)	(61,792)	(62,899)
Endowment funds held	109,796	-	-	109,796
Pension related changes other than net periodic pension cost	153,141	-	-	153,141
Total Non-Operating Income	274,424	23,326	(61,792)	235,958
Changes in Net Assets	(401,200)	20,286	68,230	(312,684)
Net Assets at Beginning of Year	18,624,060	471,275	2,485,679	21,581,014
Net Assets at End of Year	\$ 18,222,860	\$ 491,561	\$ 2,553,909	\$ 21,268,330

Dauphin County Library System

Statement of Cash Flows

	Years Ended December 31,	
	2017	2016
Cash Flows from Operating Activities		
Changes in net assets	\$ 545,830	\$ (312,684)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	1,272,304	1,215,236
Loss on disposition of fixed assets	10,808	-
In-kind contributions for library materials	(12,459)	(18,091)
Net unrealized and realized investment gains	(227,986)	(81,493)
Change in fair value of beneficial interests held by third parties	(124,375)	62,899
Contributions restricted for endowment	(290,742)	(130,022)
(Increase) decrease in assets		
Accounts receivable	(15,399)	469,778
Pledges receivable	11,950	4,339
Prepaid expenses	(63,009)	90,835
Increase (decrease) in liabilities		
Accounts payable	108,884	65,912
Accrued payroll, vacation, payroll taxes, and withholdings	27,936	22,787
Deferred revenue	(6,360)	(977)
Defined benefit pension plan obligation	(814,521)	(131,563)
Net Cash Provided by Operating Activities	422,861	1,256,956
Cash Flows from Investing Activities		
Proceeds from sales of investments	106,613	19,882
Purchase of investments	(200,196)	(154,793)
Proceeds from sale of property and equipment	8,620	-
Purchase of real estate, equipment, and library materials	(1,070,875)	(794,859)
Net Cash Used in Investing Activities	(1,155,838)	(929,770)
Cash Flows Provided by Financing Activities		
Cash received restricted for endowment	56,103	130,022
Net Increase (Decrease) in Cash and Cash Equivalents	(676,874)	457,208
Cash and Cash Equivalents at Beginning of Year	5,428,870	4,971,662
Cash and Cash Equivalents at End of Year	\$ 4,751,996	\$ 5,428,870
Supplementary Schedule of Noncash Investing Activities		
Purchase of real estate, equipment, and library materials in accounts payable	\$ 14,525	\$ 127,161
Supplementary Schedule of Noncash Financing Activities		
Contributions restricted for endowment received as equity investments	\$ 234,639	\$ -

See accompanying notes.

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 1 - Nature of Operations

The Dauphin County Library System (the Library) is a nonprofit corporation offering an impressive range of literacy, cultural, and reference services to more than 235,000 area residents, educators, and business professionals. In recent years, the libraries included in the Dauphin County Library System have increasingly become community centers for discussion classes, workshops and seminars, seasonal events, and for meetings of senior citizens' organizations and similar civic groups. The Library's primary sources of support and revenue are tax appropriations and contributions.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Library follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities - Presentation of Financial Statements*. Under ASC 958-205, the Library is required to report information regarding its financial position and activities according to three class of net assets:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include \$1,092,285 and \$999,236 as of December 31, 2017 and 2016, respectively, of board designated net assets. These net assets were specifically designated by the Board of Trustees to function as an endowment.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that permit the Library to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Library.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Library to expend all of the income derived from the donated assets for specified purposes.

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 the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, 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.

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Library considers short-term certificates of deposit to be cash equivalents.

Concentration of Credit Risk

The Library maintains its cash balances with local banks. Periodically, the Library has cash balances on deposit with banks that exceed the Federal Deposit Insurance Corporation insured amounts. The Library has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

Accounts and Pledges Receivable

Accounts and pledges receivable are unsecured and stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the credit history with customers, and contributors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial.

Beneficial Interest Held by Third Parties

Beneficial interests consist of the fair value of assets held in trusts established by donors for the benefit of the Library. These interests are recorded in the accompanying financial statements when the Library has received sufficient documentation to substantiate the trusts are irrevocable and unconditional, and the fair value of the Library's interest in the trusts can be readily determined. The Library generally does not have the ability to obtain direct control over its beneficial interest in assets held by third parties in the near term. Distributions to the Library from perpetual trusts are typically used to fund operations unless otherwise directed by the donors.

Fixed Assets

Fixed assets are recorded at cost except for donated library materials, which are recorded at their fair value on the date donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. All assets, other than library materials, acquired in excess of \$500 with estimated useful lives exceeding one year are capitalized. All appropriate library materials are capitalized.

Donated Materials and Services

The Library records the value of donated materials when there is an objective basis available to measure their value. Donated material and equipment, if any, are reflected as contributions in the accompanying financial statements at the fair value on the date received.

No amounts have been presented in the financial statements for donated services. The Library pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Library with the development and conduct of its program.

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value amount. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and the discount rates reflecting varying degrees of perceived risk. The management of the Library concluded that no impairment adjustments were required during the years ended December 31, 2017 and 2016.

Accrued Vacation

Employees of the Library are entitled to paid vacation depending on length of service and other factors; therefore, a liability is accrued for vacation earned, but not yet taken.

Contributions

The Library reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Library reports the support as unrestricted.

Endowments

The Library's endowments consist of individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Pennsylvania Act 141 requires the preservation of the fair value of the original gift as of the receipt date of the donor restricted endowment funds, to the extent that there are no donor stipulations to the contrary. The Library classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts made to the endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Library in a manner consistent with the standard of prudence described by Pennsylvania Act 141. The Library may annually spend certain percentages of the average portfolio value, using December 31 valuations, unless otherwise restricted by the donor.

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Tax Status

The Library has been recognized as exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state statutes. Management believes the Library continues to be operated in such a manner that is in compliance with its federal and state income tax exemption.

The Library follows the standards for accounting for uncertainty in income taxes according to the principles of ASC 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires management to evaluate tax positions taken by the Library, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Library had taken no uncertain tax positions that require recognition or disclosure in the financial statements. With few exceptions, the Library is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before December 31, 2014.

Advertising

The Library follows the policy of charging the cost of advertising to expense when incurred. Amounts charged to expense for advertising were \$16,934 and \$28,703 for the years ended December 31, 2017 and 2016, respectively.

Functional Expenses

The cost of providing the various programs and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on estimated usage. Supporting services include management and general expenses and fundraising expenses.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018.

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine which lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. This standard is effective for the fiscal years beginning after December 15, 2019.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make certain improvements that address many, but not all, of the identified issues about the current financial reporting for not-for-profit entities. The standard improves current requirements related to net asset classifications, liquidity assessment, expense reporting consistency, and methods used to present cash flows from operations. This guidance is effective for the fiscal years beginning after December 15, 2017.

The Library is currently evaluating the impact of the pending adoption of the new standards on the financial statements.

Note 3 - Grants

Grants are earned and reported as revenues when the Library has incurred expenditures in compliance with the contract. Grant revenue recognized is as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Other grants	\$ 24,589	\$ 119,372
EITC	33,250	60,417
E-rate program	<u>155,088</u>	<u>21,993</u>
	<u>\$ 212,927</u>	<u>\$ 201,782</u>

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 4 - Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Checking	\$ 1,909,415	\$ 2,172,419
Money market and savings	1,823,095	2,241,728
Certificates of deposit	1,013,543	1,013,543
Petty cash	5,943	1,180
	<u>\$ 4,751,996</u>	<u>\$ 5,428,870</u>

Note 5 - Pledges Receivable

Pledges receivable from fundraising campaigns were as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Unconditional promises to give before unamortized discount	\$ 21,900	\$ 35,300
Unamortized present value discount at 2.40% and 2.45% at December 31, 2017 and 2016, respectively	<u>(923)</u>	<u>(2,373)</u>
Pledges Receivable, Net	<u>\$ 20,977</u>	<u>\$ 32,927</u>
Amounts Due In		
Less than one year	\$ 11,855	\$ 11,888
One to five years	<u>9,122</u>	<u>21,039</u>
	<u>\$ 20,977</u>	<u>\$ 32,927</u>

Note 6 - Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. FASB ASC 820 also establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset. Observable inputs reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset developed based on the best information available in the circumstances.

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 6 - Fair Value Measurements (continued)

The three level hierarchy for fair value measurements to clarify the valuation of an asset is as follows:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical investment.
- Level 2 - Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 - Significant unobservable inputs (including the Library's own assumptions in determining the fair value of investments).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following valuation techniques were used to measure fair value of assets in the tables on the following pages on a recurring basis as of December 31, 2017 and 2016:

Investments in certificates of deposit and cash and cash equivalents - The carrying amounts of certificates of deposit and cash and cash equivalents approximate fair value because of the short-term nature of those investments.

Investments in common stocks, mutual funds, fixed income, and other - Fair value of common stocks, mutual funds, fixed income, and other investments was based on quoted market prices for the identical security.

Beneficial interests held by third parties - Fair value of beneficial interests held by third parties were based on the Library's ownership interest of the fund as determined by the third parties. The fund assets were valued based on the performance of underlying investments as well as an administrative fee.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Library believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Library's financial instruments also include cash and cash equivalents, accounts receivable, pledges receivable, and accounts payable. The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable, approximate fair value as of December 31, 2017 and 2016 because of the short maturities of those instruments. The carrying amounts of pledges receivable as of December 31, 2017 and 2016 approximate fair value, as they have been discounted using risk adjusted rates.

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 6 - Fair Value Measurements (continued)

The following tables present the Library's assets that are measured at fair value on a recurring basis, consistent with the fair value hierarchy provisions of ASC 820:

Fair Value Measurements at December 31, 2017				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Certificates of Deposit	\$ 1,013,543	\$ -	\$ -	\$ 1,013,543
Endowment Funds Held				
Cash and cash equivalents	\$ 121,251	\$ -	\$ -	\$ 121,251
Mutual funds				
Large cap	905,922	-	-	905,922
Small/mid cap	134,720	-	-	134,720
International	705,882	-	-	705,882
Total Mutual Funds	1,746,524	-	-	1,746,524
Fixed income				
High yield	40,121	-	-	40,121
Multi-sector	766,388	-	-	766,388
Total Fixed Income	806,509	-	-	806,509
Other				
Long/short equity	75,623	-	-	75,623
Multi-strategy	59,533	-	-	59,533
Total Other	135,156	-	-	135,156
Total Endowment Funds Held	\$ 2,809,440	\$ -	\$ -	\$ 2,809,440
Beneficial Interests Held by Third Parties	\$ -	\$ -	\$ 1,607,239	\$ 1,607,239

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 6 - Fair Value Measurements (continued)

Fair Value Measurements at December 31, 2016				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Certificates of Deposit	\$ 1,013,543	\$ -	\$ -	\$ 1,013,543
Endowment Funds Held				
Cash and cash equivalents	\$ 114,589	\$ -	\$ -	\$ 114,589
Common stocks				
Materials	27,007	-	-	27,007
Energy	47,466	-	-	47,466
Technology	152,905	-	-	152,905
Consumer	168,069	-	-	168,069
Industrial	126,426	-	-	126,426
Financial	122,779	-	-	122,779
Healthcare	93,529	-	-	93,529
Utilities and telecom	33,933	-	-	33,933
Total Common Stocks	772,114	-	-	772,114
Mutual funds				
Large cap	267,165	-	-	267,165
Small/mid cap	30,406	-	-	30,406
International	169,395	-	-	169,395
Real estate	30,384	-	-	30,384
Total Mutual Funds	497,350	-	-	497,350
Fixed income				
U.S. Treasuries	171,551	-	-	171,551
Corporate	236,561	-	-	236,561
High yield	57,387	-	-	57,387
Mortgage/asset backed	151,843	-	-	151,843
Municipal bonds	14,796	-	-	14,796
Multi-sector	62,752	-	-	62,752
International	50,929	-	-	50,929
Total Fixed Income	745,819	-	-	745,819
Other				
Managed futures	21,626	-	-	21,626
Long/short equity	43,279	-	-	43,279
Multi-strategy	45,640	-	-	45,640
Master limited partnerships	12,815	-	-	12,815
Total Other	123,360	-	-	123,360
Total Endowment Funds Held	\$ 2,253,232	\$ -	\$ -	\$ 2,253,232
Beneficial Interests Held by Third Parties	\$ -	\$ -	\$ 1,482,864	\$ 1,482,864

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 6 - Fair Value Measurements (continued)

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended December 31, 2017 and 2016, there were no transfers in or out of Level 3.

For assets falling within Level 3 in the fair value hierarchy, the activity recognized is as follows during the years ended December 31:

Balance at December 31, 2015	\$ 1,545,763
Unrealized holding losses	<u>(62,899)</u>
Balance at December 31, 2016	1,482,864
Unrealized holding gains	<u>124,375</u>
Balance at December 31, 2017	<u>\$ 1,607,239</u>

The unrealized holding gains and losses in beneficial interests held by third parties, classified as Level 3, are included within the changes in fair value of beneficial interests held by third parties on the statement of activities.

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 7 - Investments

Investments were as follows at December 31:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	<u>\$ 121,251</u>	<u>\$ 121,251</u>	<u>\$ 114,589</u>	<u>\$ 114,589</u>
Common Stocks				
Materials	-	-	24,584	27,007
Energy	-	-	43,128	47,466
Technology	-	-	128,767	152,905
Consumer	-	-	162,634	168,069
Industrial	-	-	128,662	126,426
Financial	-	-	103,814	122,779
Healthcare	-	-	93,375	93,529
Utilities and telecom	-	-	31,599	33,933
Total Common Stocks	<u>-</u>	<u>-</u>	<u>716,563</u>	<u>772,114</u>
Mutual Funds				
Large cap	831,701	905,922	251,992	267,165
Small/mid cap	125,211	134,720	28,587	30,406
International	620,811	705,882	174,683	169,395
Real estate	-	-	31,535	30,384
Total Mutual Funds	<u>1,577,723</u>	<u>1,746,524</u>	<u>486,797</u>	<u>497,350</u>
Fixed Income				
U.S. Treasuries	-	-	171,961	171,551
Corporate	-	-	239,720	236,561
High yield	40,433	40,121	60,189	57,387
Mortgage/asset backed	-	-	156,426	151,843
Municipal bonds	-	-	14,814	14,796
Multi-sector	766,498	766,388	62,500	62,752
International	-	-	53,741	50,929
Total Fixed Income	<u>806,931</u>	<u>806,509</u>	<u>759,351</u>	<u>745,819</u>
Other				
Managed futures	-	-	22,032	21,626
Long/short equity	74,855	75,623	41,612	43,279
Multi-strategy	60,975	59,533	48,885	45,640
Master limited partnerships	-	-	10,036	12,815
Total Other	<u>135,830</u>	<u>135,156</u>	<u>122,565</u>	<u>123,360</u>
	<u>\$ 2,641,735</u>	<u>\$ 2,809,440</u>	<u>\$ 2,199,865</u>	<u>\$ 2,253,232</u>

Dauphin County Library System

Notes to Financial Statements
December 31, 2017 and 2016

Note 7 - Investments (continued)

Investment income summarized as follows at December 31:

	<u>2017</u>	<u>2016</u>
Dividends and interest income	\$ 154,950	\$ 64,223
Realized gains (losses)	70,083	(28,303)
Investment fees	<u>(20,613)</u>	<u>(19,882)</u>
	204,420	16,038
Unrealized gains	<u>157,903</u>	<u>109,796</u>
	<u>\$ 362,323</u>	<u>\$ 125,834</u>

Note 8 - Fixed Assets

The costs and related accumulated depreciation of fixed assets are as follows at December 31:

	<u>2017</u>	<u>2016</u>
Land*	\$ 922,455	\$ 922,455
Buildings, furnishings, and equipment	19,763,384	19,683,050
Library materials	2,969,716	2,819,799
Motor vehicles	207,577	143,022
Construction in progress*	<u>-</u>	<u>69,562</u>
	23,863,132	23,637,888
Accumulated depreciation	<u>(10,321,346)</u>	<u>(9,775,068)</u>
	<u>\$ 13,541,786</u>	<u>\$ 13,862,820</u>

* Not depreciated

A reconciliation of Library materials follows at December 31:

	<u>2017</u>	<u>2016</u>
Cost of materials at beginning of year	\$ 2,819,799	\$ 2,839,750
Materials purchased and donated	827,963	600,218
Materials fully depreciated and deleted	<u>(678,046)</u>	<u>(620,169)</u>
	<u>\$ 2,969,716</u>	<u>\$ 2,819,799</u>

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 9 - Beneficial Interests Held by Third Parties

The Library is the beneficiary of several trusts held by third parties. On an annual basis, the Library places a value on the beneficial interests based on the quoted market value of the investments held in trust. The amounts recorded in the Library's statement of financial position include the following as of December 31:

	<u>2017</u>	<u>2016</u>
Ida Browning	\$ 152,201	\$ 141,536
Edith Demain	431,078	399,181
Robert Hanson	73,135	65,746
William Donaldson (under agreement)	111,815	97,294
William Donaldson (under will)	472,905	443,786
James McCormick Memorial Fund	101,410	90,655
Charlotte L. Shuey	224,593	208,293
Thomas Wierman	40,102	36,373
	<u>\$ 1,607,239</u>	<u>\$ 1,482,864</u>

The trusts were established by persons, wills, living trust agreements, and court decrees with various restrictions. The entire balance is reported as either a component of permanently restricted net assets or temporarily restricted net assets.

Note 10 - Endowment Fund

The long-term objective of the endowment fund is to pursue a set of objectives designed to maximize the returns of the endowment fund without exposing it to undue risk. In order to meet its goals, the investment strategy of the endowment fund is to emphasize total return, that is, the aggregate return from capital appreciation and dividend and interest income. The objective shall be achieved by investing in a mix of cash equivalents, fixed income instruments, and equity securities that meet the investment strategy. The objective may also be achieved by use of alternative investments that meet the investment strategy.

Investment strategies employed by the managers shall conserve and enhance the capital value of the endowment fund in real terms through asset appreciation and income generation while maintaining an appropriate investment risk profile.

In order to achieve its objectives for its assets, the endowment fund will experience volatility of returns and fluctuations of market value. A level of volatility similar to a comparable market index is deemed acceptable in order to achieve the investment objectives of the endowment fund.

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 10 - Endowment Fund (continued)

Changes in endowment-related activities are as follows for the years ended December 31:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
January 1, 2016	\$ 937,286	\$ 159,626	\$ 2,485,679	\$ 3,582,591
Net investment income	61,950	23,326	(61,792)	23,484
Contributions	-	-	130,022	130,022
January 1, 2017	999,236	182,952	2,553,909	3,736,097
Net investment income	93,049	177,749	119,042	389,840
Contributions	-	-	290,742	290,742
December 31, 2017	\$ 1,092,285	\$ 360,701	\$ 2,963,693	\$ 4,416,679

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 11 - Net Assets

Net assets consist of the following as of December 31:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets				
Funds invested in perpetuity				
Carole DeSoto Fund, Elizabethville Arts Series	\$ -	\$ 13,485	\$ 73,195	\$ 86,680
Joan Y. Leopold Fund, Children's Book Week	-	18,543	135,419	153,962
Kathryn Witmer Sandel Memorial Fund, materials for the William H. and Marion C. Alexander Family Library	-	2,789	14,927	17,716
Henry & Dottie Swartz Fund, East Shore Area Library materials and expansion	-	125,520	642,422	767,942
Light the Way to Learning	-	43,173	240,248	283,421
Beneficial interests held by third parties	-	76,101	1,531,138	1,607,239
Other endowment funds Designated by the Board of Trustees to function as an endowment	-	81,090	326,344	407,434
	<u>1,092,285</u>	<u>-</u>	<u>-</u>	<u>1,092,285</u>
Total Endowment Net Assets	<u>1,092,285</u>	<u>360,701</u>	<u>2,963,693</u>	<u>4,416,679</u>
Net Assets Restricted by Donors for Library Materials	<u>-</u>	<u>337,282</u>	<u>-</u>	<u>337,282</u>
Unrestricted and Undesignated Net Assets				
Designated defined benefit pension reserve	914,187	-	-	914,187
Other	16,146,012	-	-	16,146,012
	<u>17,060,199</u>	<u>-</u>	<u>-</u>	<u>17,060,199</u>
Total Unrestricted and Undesignated Net Assets	<u>17,060,199</u>	<u>-</u>	<u>-</u>	<u>17,060,199</u>
Total Net Assets	<u>\$ 18,152,484</u>	<u>\$ 697,983</u>	<u>\$ 2,963,693</u>	<u>\$ 21,814,160</u>

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 11 - Net Assets (continued)

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets				
Funds invested in perpetuity				
Carole DeSoto Fund, Elizabethville Arts Series	\$ -	\$ 5,866	\$ 68,195	\$ 74,061
Joan Y. Leopold Fund, Children's Book Week	-	5,101	116,091	121,192
Kathryn Witmer Sandel Memorial Fund, materials for the William H. and Marion C. Alexander Family Library	-	1,200	13,927	15,127
Henry & Dottie Swartz Fund, East Shore Area Library materials and expansion	-	54,686	642,422	697,108
Light the Way to Learning	-	16,237	229,516	245,753
Beneficial interests held by third parties	-	70,768	1,412,096	1,482,864
Other endowment funds Designated by the Board of Trustees to function as an endowment	-	29,094	71,662	100,756
	<u>999,236</u>	<u>-</u>	<u>-</u>	<u>999,236</u>
Total Endowment Net Assets	<u>999,236</u>	<u>182,952</u>	<u>2,553,909</u>	<u>3,736,097</u>
Net Assets Restricted by Donors for Library Materials	<u>-</u>	<u>308,609</u>	<u>-</u>	<u>308,609</u>
Unrestricted and Undesignated Net Assets				
Designated defined benefit pension reserve	1,731,759	-	-	1,731,759
Other	15,491,865	-	-	15,491,865
	<u>17,223,624</u>	<u>-</u>	<u>-</u>	<u>17,223,624</u>
Total Unrestricted and Undesignated Net Assets	<u>17,223,624</u>	<u>-</u>	<u>-</u>	<u>17,223,624</u>
Total Net Assets	<u>\$ 18,222,860</u>	<u>\$ 491,561</u>	<u>\$ 2,553,909</u>	<u>\$ 21,268,330</u>

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 12 - Net Assets Released from Restrictions

Net assets released from donor restrictions, which include library materials, programming, and other items, were \$96,306 and \$207,013 for the years ended December 31, 2017 and 2016, respectively.

Note 13 - Defined Benefit Pension Plan

The Library has a defined benefit pension plan covering employees who meet age and service requirements. The Library's defined benefit pension plan funding policy provides for periodic employer contributions at actuarially determined rates sufficient to meet at least the minimum funding standards under applicable regulations. Benefits are based on years of service and employee compensation. For the plan year ended December 31, 2016, active employees in the defined benefit pension plan were required to contribute 1% of pay up to \$25,000 and 5% of pay in excess of \$25,000. Employee contributions are not credited with interest. Effective January 1, 2017, this requirement was discontinued and no employee contributions were required during the plan year ended December 31, 2017.

Effective January 1, 2018, the Library amended the plan to cease benefit accruals and the crediting of hours of service for purposes of accruing additional years of services benefit. As a result, each participant will receive a monthly benefit payable at normal retirement age equal to his or her normal retirement benefit as determinable under the terms of the plan in effect as of January 1, 2018, taking into account years of benefit service and compensation as of that date. A participant's accrued benefit at any time equals the amount of his or her accrued benefit under the plan as of January 1, 2018.

In addition, the plan was amended to provide a lump sum optional form of benefit payment, regardless of the present value of the lump sum.

The following table sets forth by level, within the fair value hierarchy (refer to Note 6), the plan's investments at fair value as of December 31:

	2017	
	Fair Value	(Level 1)
Money Market Fund	\$ 27,487	\$ 27,487
Mutual Funds		
Equity funds	3,287,402	3,287,402
Fixed income funds	2,182,438	2,182,438
	<u>\$ 5,497,327</u>	<u>\$ 5,497,327</u>

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 13 - Defined Benefit Pension Plan (continued)

	2016	
	<u>Fair Value</u>	<u>(Level 1)</u>
Money Market Fund	\$ 25,426	\$ 25,426
Mutual Funds		
Equity funds	3,020,554	3,020,554
Fixed income funds	2,039,128	2,039,128
	<u>\$ 5,085,108</u>	<u>\$ 5,085,108</u>

The following table sets forth the plan's funded status and amounts recognized in the accompanying statement of financial position as of December 31:

	<u>2017</u>	<u>2016</u>
Change in Benefit Obligation		
Projected benefit obligation at beginning of year	\$ 6,499,303	\$ 6,360,045
Change due to change in assumptions	50,713	(60,569)
Plan curtailment	(612,942)	-
Interest cost	270,931	261,898
Service cost (net of assumed expenses)	214,946	229,212
Benefit payments	(325,950)	(291,283)
	<u>6,097,001</u>	<u>6,499,303</u>
Change in Plan Assets		
Fair value of plan assets at beginning of year	5,085,108	4,814,287
Actual return on plan assets	600,360	415,319
Employer and employee contributions	137,809	146,785
Benefit payments (including assumed expenses)	(325,950)	(291,283)
	<u>5,497,327</u>	<u>5,085,108</u>
Funded Status and Accrued Pension Liability	<u>\$ (599,674)</u>	<u>\$ (1,414,195)</u>

The Library's unrestricted net assets include \$914,187 and \$1,731,759 of net loss not yet recognized in net periodic pension expense as of December 31, 2017 and 2016, respectively. No amount of the net loss included in changes in net assets will be recognized in net periodic pension expense during the year ending December 31, 2018.

The accumulated benefit obligation amounted to \$6,097,001 and \$5,896,339 as of December 31, 2017 and 2016, respectively.

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 13 - Defined Benefit Pension Plan (continued)

Net periodic pension expense included the following components for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Service cost	\$ 214,946	\$ 229,212
Interest cost	270,931	261,898
Net amortization of prior service cost, transition obligation, and net loss	75,165	79,632
Expected return on plan assets	(420,182)	(402,379)
Employee contributions	(3,908)	(54,690)
Net Periodic Pension Cost	<u>\$ 136,952</u>	<u>\$ 113,673</u>

The plan's funded status as of any measurement date is based on prevailing market conditions as to discount rate and plan assets and, accordingly, is subject to volatility.

The following weighted average rates were used in determining the actuarial present value of the projected benefit obligations and the related net periodic pension cost as of December 31:

	<u>2017</u>	<u>2016</u>
Discount rate	4.25 %	4.25 %
Expected long-term rate of return on plan assets	8.50	8.50
Rate of increase in future compensation	3.00	3.00

The basis for the long-term expected rate of return is based on the Library's risk tolerance and historical trends of its invested plan asset mix. The expected rate of return has not been adjusted recently, since historically it has not fluctuated above or below that rate significantly, and based on the current asset class mix and risk tolerance, the expected future return is 8.50%.

Benefits expected to be paid to participants in each of the next five years and in the aggregate for the subsequent years thereafter are as follows:

2018	\$ 364,457
2019	358,768
2020	376,163
2021	387,485
2022	378,299
2023 to 2027	2,017,271

The Library uses the straight-line method to amortize prior service cost over the average remaining service periods of employees expected to receive benefits under the plan.

For the years prior to and including December 31, 2017, the Library funded the pension plan on an annual basis based on a contribution amount determined by management. Since the plan was frozen on January 1, 2018, no contribution is anticipated for the year ended December 31, 2018.

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 13 - Defined Benefit Pension Plan (continued)

The investment allocation of plan assets consists of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Money Market Fund	0.50 %	0.50 %
Mutual Funds		
Invested primarily in fixed income funds	39.70	40.10
Invested primarily in equity securities	59.80	59.40
	<u>100.00 %</u>	<u>100.00 %</u>

The Library's investment policy for plan assets is to manage the portfolio to preserve principal and liquidity while maximizing the return on the investment portfolio through the full investment of available funds. The portfolio is diversified by investing in multiple types of investment-grade securities. The investment policy requires fixed income securities of the plan to be primarily invested in short-term securities with at least an investment grade rating to minimize interest rate and credit risk as well as to provide for an immediate source of funds. Target allocation percentages for each major category of plan assets are as follows:

Equity securities	40 to 80 %
Fixed income securities	20 to 60
Cash and cash equivalents	0 to 15

The Library attempts to mitigate investment risk by rebalancing between equity and fixed income asset classes as the Library's contributions and monthly benefit payments are made. Although changes in interest rates, economic conditions, and expectations may affect the fair value of the investment portfolio and cause unrealized gains or losses, such gains or losses would not be realized unless the investments are sold.

Note 14 - Defined Contribution Pension Plan

On December 31, 2016, the Library froze entrance into the defined benefit pension plan for all employees who did not qualify to enter the defined benefit pension plan as of July 1, 2016. On December 31, 2016, the Library also established a defined contribution pension plan under Internal Revenue Code Section 401(a). The defined contribution pension plan applies to all employees who qualified for pension benefits after July 1, 2016 and are not eligible to participate in the defined benefit pension plan.

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 14 - Defined Contribution Pension Plan (continued)

An employee becomes a participant in the defined contribution pension plan on the June 30 or December 31 after the date he or she completes 1 year of eligible service. An employee is credited with a year of eligible service when he or she completes at least 1,000 hours of service in a 12 month period. Employees vest in the defined contribution pension plan over a period of five years as follows:

Years of Service	Vesting Percentage
Less than 1	0 %
2	20
3	40
4	60
5	80
6 or more	100

As of December 31, 2017, there were 30 active members in the defined contribution pension plan and contributions to the plan during the years ended December 31, 2017 and 2016 totaled \$30,509 and \$10,517, respectively. At December 31, 2017 and 2016, these contributions were included in accounts payable.

Note 15 - Line of Credit

The Library has an unsecured \$350,000 line of credit with M&T Bank. Interest is charged at the bank's prime rate which was 4.50% and 4.25% as of December 31, 2017 and 2016, respectively. There were no amounts outstanding at December 31, 2017 and 2016.

Note 16 - Commitments

The Library leases various operating equipment under operating leases. Rent expense under these agreements amounted to \$75,291 and \$79,633 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease payments, assuming no changes in current terms, consist of the following for the remaining three years ending December 31:

2018	\$	65,987
2019		53,616
2020		4,386

Dauphin County Library System

Notes to Financial Statements

December 31, 2017 and 2016

Note 17 - Economic Dependency

A significant amount of support for the Library is received from a dedicated real estate tax collected by Dauphin County, Pennsylvania (the County). Support from the County totaled \$4,521,322 and \$4,494,675 for the years ended December 31, 2017 and 2016, respectively. In addition, the Commonwealth of Pennsylvania contributes amounts which are also determined annually. These amounts totaled \$1,360,630 for the years ended December 31, 2017 and 2016. Also, Lower Paxton Township provided \$126,761 and \$125,144 from real estate tax assessments for the years ended December 31, 2017 and 2016, respectively. In total, during the years ended December 31, 2017 and 2016, approximately 79% and 84%, respectively, of the Library's revenue consisted of these tax appropriations.

Note 18 - Subsequent Events

The Library has evaluated subsequent events through June 13, 2018. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2017 were noted.

Dauphin County Library System

Statement of Operating and Non-Operating Support and Revenue

	For the Years Ended December 31,	
	2017	2016
Operating Support		
Tax Appropriations		
Dauphin County	\$ 4,521,322	\$ 4,494,675
Commonwealth of Pennsylvania	1,360,630	1,360,630
Local governments	126,761	125,144
Total Tax Appropriations	6,008,713	5,980,449
Grants	212,927	201,782
Contributions		
Funds and foundations	368,642	213,729
Other	359,563	395,650
Total Contributions	728,205	609,379
Total Operating Support	6,949,845	6,791,610
Operating Revenue		
Desk receipts	166,265	170,894
Negotiated services	15,843	17,353
Other	11,894	9,809
Printing	1,280	1,017
Credit bureau	6,602	7,819
Loss on disposition of fixed assets	(10,808)	-
Total Operating Revenue	191,076	206,892
Total Operating Support and Revenue	\$ 7,140,921	\$ 6,998,502
Non-Operating Revenue		
Investment Income		
Realized gains (losses) on sale of investment	\$ 70,083	\$ (28,303)
Investment income	154,950	64,223
Total Investment Income	225,033	35,920
Change in Fair Value of:		
Beneficial interest held by third parties	124,375	(62,899)
Endowment funds held	157,903	109,796
Total Change in Fair Value	282,278	46,897
Pension Related Changes Other Than Net Periodic Pension Cost		
	817,572	153,141
Total Non-Operating Revenue	\$ 1,324,883	\$ 235,958

Dauphin County Library System

Statement of Functional Expenses

	Year Ended December 31, 2017			
	Library Services	Supporting Services		Total
		Management and General	Fundraising	
Bank fees	\$ -	\$ 6,083	\$ -	\$ 6,083
Building and equipment maintenance	397,187	44,132	-	441,319
Depreciation				
Buildings, furnishings, and equipment	574,489	36,670	-	611,159
Library materials	633,533	-	-	633,533
Vehicles	17,396	10,216	-	27,612
Electronic library materials	1,740	-	-	1,740
Employee benefits	422,707	106,422	44,577	573,706
Freight and postage	13,918	793	16,573	31,284
Insurance	36,768	11,295	253	48,316
Investment fees	-	20,613	-	20,613
Licensing and equipment rental	173,522	11,426	-	184,948
Memberships	24,554	9,691	-	34,245
Miscellaneous	735	3,042	-	3,777
Newspapers	7,460	-	-	7,460
On-line loan and catalog service	46,424	-	-	46,424
Outsourcing charges	9,996	-	-	9,996
Payroll taxes	213,029	53,633	22,465	289,127
Periodicals	7,340	-	-	7,340
Printing	22,505	-	17,611	40,116
Professional fees	39,153	46,143	11,606	96,902
Program expenses	338,042	-	-	338,042
Salaries	2,869,369	722,405	302,592	3,894,366
Supplies	33,150	7,277	-	40,427
Telephone and utilities	313,177	68,746	-	381,923
Travel and training	103,110	22,634	-	125,744
Vehicles, repairs, and maintenance	16,270	7,502	-	23,772
	<u>\$ 6,315,574</u>	<u>\$ 1,188,723</u>	<u>\$ 415,677</u>	<u>\$ 7,919,974</u>

Dauphin County Library System

Statement of Functional Expenses (continued)

	Year Ended December 31, 2016			
	Library Services	Supporting Services		Total
		Management and General	Fundraising	
Bank fees	\$ -	\$ 6,063	\$ -	\$ 6,063
Building and equipment maintenance	416,002	46,222	-	462,224
Depreciation				
Buildings, furnishings, and equipment	559,447	35,709	-	595,156
Library materials	599,868	-	-	599,868
Vehicles	12,792	7,420	-	20,212
Electronic library materials	118,648	-	-	118,648
Employee benefits	373,532	76,598	1,715	451,845
Freight and postage	13,362	762	15,912	30,036
Insurance	27,819	8,546	191	36,556
Investment fees	-	19,882	-	19,882
Licensing and equipment rental	184,288	12,135	-	196,423
Memberships	18,108	7,146	-	25,254
Miscellaneous	416	1,721	-	2,137
Newspapers	25,839	-	-	25,839
On-line loan and catalog service	43,361	-	-	43,361
Outsourcing charges	11,069	-	-	11,069
Payroll taxes	204,258	49,684	22,082	276,024
Periodicals	76,797	-	-	76,797
Printing	26,430	-	20,680	47,110
Professional fees	45,255	53,336	13,415	112,006
Program expenses	338,250	5,449	-	343,699
Salaries	2,656,503	646,176	287,189	3,589,868
Supplies	34,768	7,632	-	42,400
Telephone and utilities	233,301	38,547	-	271,848
Travel and training	104,086	17,666	-	121,752
Vehicles, repairs, and maintenance	14,419	6,648	-	21,067
	<u>\$ 6,138,618</u>	<u>\$ 1,047,342</u>	<u>\$ 361,184</u>	<u>\$ 7,547,144</u>