

LOWER MERION LIBRARY SYSTEM

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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INDEPENDENT AUDITORS' REPORT

Honorable Township Commissioners
Township of Lower Merion, Pennsylvania

Report on the Financial Statements

We have audited the accompanying combined financial statement of the Lower Merion Library System (LMLS), Ludington Library, Bala Cynwyd Library, Belmont Hills Library, Gladwyne Library, Ardmore Library, and Penn Wynne Library, which comprise the combined statement of cash and investments and cash receipts, disbursements, and investment income as of and for the year ended December 31, 2017, and the related notes to the combined financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statement in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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 an opinion on the combined financial statement 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 combined financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statement, 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 combined financial statement 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 combined financial statement.

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

Honorable Township Commissioners
Township of Lower Merion, Pennsylvania

Opinion

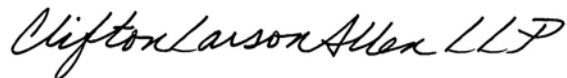
In our opinion, the combined financial statement referred to above presents fairly, in all material respects, the combined statement of cash and investments and cash receipts, disbursements, and investment income of Lower Merion Library System, Ludington Library, Bala Cynwyd Library, Belmont Hills Library, Gladwyne Library, Ardmore Library, and Penn Wynne Library as of December 31, 2017, in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

As described in Note 1, this combined financial statement was prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statement as a whole. The 2017 Combining Statement of Cash and Investments and Cash Receipts, Disbursements, and Investment Income is presented for the purpose of additional analysis and is not a required part of the combined financial statement. 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 combined financial statement. The information has been subjected to the auditing procedures applied in the audit of the combined financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statement or to the combined financial statement itself, 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 combined financial statement as a whole.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
July 18, 2018

**LOWER MERION LIBRARY SYSTEM
 COMBINED STATEMENT OF CASH AND INVESTMENTS AND
 CASH RECEIPTS, DISBURSEMENTS, AND INVESTMENT INCOME
 YEAR ENDED DECEMBER 31, 2017**

Cash and Investments Balance at January 1, 2017	\$ 2,086,630
Cash Receipts:	
Grants	207,605
Investment Income and Realized and Unrealized Gains and Losses	248,873
Contributions	290,443
Fines Collected/Lost Book Charges	169,555
Charges for Service	9,234
Other Income	67,635
Total Cash Receipts	993,345
Cash Expenditures:	
Books and Physical Collection Materials	423,923
Capital Outlay	4,352
Maintenance and Supplies	69,807
Public Relations and Development	82,891
Other	132,198
Integrated System	75,764
Total Cash Expenditures	788,935
Cash and Investments Balance at December 31, 2017	\$ 2,291,040

See accompanying Notes to Combined Financial Statements.

**LOWER MERION LIBRARY SYSTEM
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Lower Merion Library System (LMLS) is composed of the Ludington Library, Bala Cynwyd Library, Belmont Hills Library, Gladwyne Library, Ardmore Library, and Penn Wynne Library. The purpose of LMLS is to provide services to area citizens.

A self-perpetuating board governs each library within LMLS, with the exception of the LMLS Board. Policy for the LMLS is set by the LMLS Board, which is made up of one representative from each of the six local library boards, one elected Lower Merion Township commissioner, one at-large member appointed by the Lower Merion Township Board of Commissioners, and three at-large members chosen from residents of the community by the LMLS Board. The accompanying combined statement of cash and investments and cash receipts, disbursements, and investment income (combined financial statement) includes the activities of each library and LMLS that are required to be reported annually to the Commonwealth of Pennsylvania. The cash and investment balances of the individual libraries are controlled by the Board of each library or in the case of LMLS by the LMLS Board. These balances include certain funds received from private donors that may include restrictions as to the timing and purpose of their use.

A majority of LMLS's funding is received from the Township of Lower Merion, Pennsylvania (the Township); however, LMLS is a legally separate entity not within the control of the Township.

The Lower Merion Library Foundation (LMLF) is a legally separate component unit of LMLS. LMLF is a not-for-profit corporation created for the purpose of raising funds to support LMLS. LMLS has not included the activities of LMLF in its combined statement of cash and investments and cash receipts, disbursements, and investment income. Transactions between LMLS and LMLF are recorded as cash receipts and cash disbursements of LMLS in its combined financial statement. The audit report of the Foundation for the fiscal year ended December 31, 2017 can be obtained at the Foundation office at the following address during normal business hours:

Lower Merion Library System Foundation
75 East Lancaster Ave
Ardmore, PA 19003

Basis of Accounting

The accompanying combined statement of cash and investments and cash receipts, disbursements, and investment income is prepared on a modified cash basis of accounting, under which revenues and expenses are recognized at the time the cash transaction occurs rather than when revenue is earned or the expense incurred, except for unrealized gain and losses on investments, which are reported when earned. Investments are recorded at fair value using exchange quoted market prices. The combined statement of cash and investments and cash receipts, disbursements, and investment income is not intended to present the financial position and results of operations of LMLS in conformity with accounting principles generally accepted in the United States of America.

**LOWER MERION LIBRARY SYSTEM
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Library's investments consist primarily of mutual funds, which are measured at net asset value.

Revenues

LMLS and the six libraries receive a substantial amount of support from the Township. Specifically, the Township directly pays salaries, employee benefits, utilities, capital costs, and other support for the libraries. The amount paid by the Township for these expenses, which is not recorded in the accompanying combined financial statement because it is not a cash receipt or disbursement of LMLS and the six libraries for the year ended December 31, 2017, was \$4,585,874. The amount paid by the Township for capital expenses, which is not recorded in the accompanying combined financial statement because it is not a cash receipt or disbursement of LMLS for the year ended December 31, 2017 was \$688,131.

LMLS also receives significant grant funding from the Commonwealth of Pennsylvania (the Commonwealth). Grant revenue received from the Commonwealth is included in the accompanying combined financial statement.

LMLS and the six libraries other revenues consist of a combination of fines, charges for services, printer and copier fees, miscellaneous, lost book charges, library use and rental fees, and other library-specific cash receipts.

NOTE 2 CASH AND CASH EQUIVALENTS

At December 31, 2017, LMLS's and the six libraries total cash and cash equivalents consisted of the following:

Checking and Savings Accounts	\$ 539,264
Money Market Accounts	186,587
Total	<u><u>\$ 725,851</u></u>

**LOWER MERION LIBRARY SYSTEM
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 LONG-TERM INVESTMENTS

Long-term investments held by LMLS and the six libraries are included in the combined statement of cash and investments and cash receipts, disbursements, and investment income. Long-term investments comprise the following:

Following balances include certain funds received from private donors that may include restrictions as to the timing and purpose of their use as of December 31, 2017:

Mutual Funds, by Type:	Total	Ludington	Bala Cynwyd
Ultra Short-Term Bond	\$ 5,736	\$ -	\$ 5,736
Balanced Index Fund	40,839	-	40,839
Wellesley Income Fund	481,442	459,589	21,853
Equity Income Fund	996,813	996,813	-
500 Index Fund	40,359	-	40,359
Total	<u>\$ 1,565,189</u>	<u>\$ 1,456,402</u>	<u>\$ 108,787</u>

NOTE 4 TAX-EXEMPT STATUS

LMLS is incorporated as a not-for-profit corporation and is not subject to tax. The Internal Revenue Service has classified all six LMLS libraries as not-for-profit organizations, as defined in Section 501(c)(3) of the Internal Revenue Code.

NOTE 5 INTERLIBRARY TRANSFERS

Interlibrary transactions have been eliminated from the combined statement of cash and investments and cash receipts, disbursements, and investment income. The interlibrary transfers consisted of the following as of December 31, 2017:

	Transfers In	Transfers Out
Ludington	\$ -	\$ 180,000
Bala Cynwyd	-	113,784
Belmont Hills	-	18,000
Gladwyne	-	50,000
Ardmore	-	33,043
Penn Wynne	-	45,093
Lower Merion Library System	439,920	-
Total	<u>\$ 439,920</u>	<u>\$ 439,920</u>

**LOWER MERION LIBRARY SYSTEM
SUPPLEMENTAL COMBINING STATEMENT OF CASH AND INVESTMENTS AND CASH RECEIPTS,
DISBURSEMENTS, AND INVESTMENT INCOME
YEAR ENDED DECEMBER 31, 2017**

	Ludington	Bala Cynwyd	Belmont Hills	Gladwyne	Ardmore	Penn Wynne	Lower Merion Library System	Total
Cash and Investments Balance at January 1, 2017	\$ 1,314,382	\$ 140,524	\$ 67,665	\$ 88,328	\$ 236,178	\$ 36,790	\$ 202,763	\$ 2,086,630
Cash Receipts:								
Grants	-	-	-	-	1,475	-	206,130	207,605
*Interlibrary Transfers	-	-	-	-	-	-	439,920	439,920
Investment Income and Realized and Unrealized Gains and Losses	230,701	14,876	-	12	605	-	2,679	248,873
Contributions	57,078	60,395	11,705	84,082	35,247	41,936	-	290,443
Fines Collected/Lost Book Charges	76,929	51,301	5,456	4,881	10,600	20,228	160	169,555
Charges for Service	4,450	1,485	484	2,211	229	375	-	9,234
Other Income	36,529	18,967	532	6,851	3,652	1,104	-	67,635
Total Cash Receipts	405,687	147,024	18,177	98,037	51,808	63,643	648,889	1,433,265
Cash Expenditures:								
Books and Physical Collection Materials	2,218	-	391	1,510	-	29	419,775	423,923
Capital Outlay	913	998	-	1,401	-	1,040	-	4,352
*Interlibrary Transfers	180,000	113,784	18,000	50,000	33,043	45,093	-	439,920
Maintenance and Supplies	12,438	6,227	1,342	26,592	3,450	4,855	14,903	69,807
Public Relations and Development	22,657	20,949	3,425	12,768	10,512	8,977	3,603	82,891
Other	2,382	1,350	690	6,054	243	237	121,242	132,198
Integrated System	-	-	-	-	-	-	75,764	75,764
Total Cash Expenditures	220,608	143,308	23,848	98,325	47,248	60,231	635,287	1,228,855
Cash and Investments Balance at December 31, 2017	\$ 1,499,461	\$ 144,240	\$ 61,994	\$ 88,040	\$ 240,738	\$ 40,202	\$ 216,365	\$ 2,291,040

*Interlibrary transactions have been eliminated on the Combined Statement of Cash and Investments and Cash Receipts, Disbursements, and Investment Income



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.