
ALLENTOWN PUBLIC LIBRARY

(A Component Unit of the Allentown School District)

FINANCIAL STATEMENTS

JUNE 30, 2018

ALLENTOWN PUBLIC LIBRARY
(A Component Unit of the Allentown School District)

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Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

March 4, 2019

To the Board of Directors
Allentown Public Library
Allentown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Allentown Public Library ("the Library"), a component unit of the Allentown School District, Allentown, Pennsylvania, as of and for the year ended June 30, 2018, 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 Library'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 Library'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 and the major fund of the Allentown Public Library, Allentown, Pennsylvania, as of June 30, 2018, and the respective changes in financial position thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors
Allentown Public Library

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Library has adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 82 *Pension Issues-An amendment of GASB Statements No. 67, No. 68, and No. 73*, and GASB Statement No. 86 *Certain Debt Extinguishment Issues*. Our opinions are not modified with respect to these matters.

Report on Summarized Comparative Information

We audited the Library's June 30, 2017 financial statements, and expressed unmodified opinions on the respective financial statements of the governmental activities and the major fund in their report dated February 22, 2018. The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2017, from which such summarized information was derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 25 and 26, schedule of the Library's proportionate share of the net pension liability on page 27, schedule of Library pension contributions on page 28, schedule of the Library's proportionate share of the net OPEB liability on page 29, and the schedule of Library OPEB contributions on page 30, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Zelenkofske Axlerod LLC

ZELENKOFSCHE AXELROD LLC

March 4, 2019
Jamison, Pennsylvania

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
STATEMENTS OF NET POSITION
JUNE 30, 2018

With Comparative Information for the Year Ended June 30, 2017

ASSETS	2018	2017
Current Assets		
Cash	\$ 1,128,673	\$ 1,153,148
Investments	663,168	629,186
Accounts receivable	191,559	55,780
Due from Allentown School District	107,593	161,460
Total Current Assets	<u>2,090,993</u>	<u>1,999,574</u>
Noncurrent Assets:		
Land	209,941	209,941
Land improvements	67,872	67,872
Buildings and building improvements	3,905,151	3,905,151
Construction in progress	140,770	-
Furniture and equipment	403,283	403,283
	<u>4,727,017</u>	<u>4,586,247</u>
Less: accumulated depreciation	<u>3,212,511</u>	<u>3,131,180</u>
Noncurrent Assets, Net	<u>1,514,506</u>	<u>1,455,067</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension contributions	445,061	392,274
Deferred pension	450,889	538,448
Deferred OPEB contributions	11,638	11,150
Deferred OPEB items	4,025	-
Total deferred outflows of resources	<u>911,613</u>	<u>941,872</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,517,112</u>	<u>\$ 4,396,513</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 115,427	\$ 54,023
Accrued payroll and payroll withholdings	139,935	140,320
Total Current Liabilities	<u>255,362</u>	<u>194,343</u>
NONCURRENT LIABILITIES		
Net pension liability	4,915,117	4,839,039
Net OPEB liability	<u>202,764</u>	<u>210,059</u>
TOTAL LIABILITIES	<u>5,373,243</u>	<u>5,243,441</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension charges	137,121	222,166
Deferred OPEB items	9,435	-
Total Deferred Inflows of Resources	<u>146,556</u>	<u>222,166</u>
NET POSITION DEFICIT:		
Net investment in capital assets	1,514,506	1,455,067
Restricted	194,937	82,554
Unrestricted	<u>(2,712,130)</u>	<u>(2,606,715)</u>
Total Net Deficit	<u>(1,002,687)</u>	<u>(1,069,094)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET DEFICIT	<u>\$ 4,517,112</u>	<u>\$ 4,396,513</u>

The accompanying notes are an integral part of these financial statements.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
With Comparative Information for the Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Deficit	
		Charges for Services	Operating Grants and Contributions	Totals	
				2018	2017
GOVERNMENTAL ACTIVITIES					
Library services	\$ 2,741,643	\$ 84,149	\$ 1,347,459	\$ (1,310,035)	\$ (1,624,177)
Administration	155,406	-	-	(155,406)	(150,265)
Unallocated depreciation	81,331	-	-	(81,331)	(81,361)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 2,978,380</u>	<u>\$ 84,149</u>	<u>\$ 1,347,459</u>	<u>(1,546,772)</u>	<u>(1,855,803)</u>
GENERAL REVENUES:					
				1,559,024	1,507,406
Real estate taxes				25,634	22,298
Investment income				28,521	50,308
Unrealized gain (loss), net				<u>1,613,179</u>	<u>1,580,012</u>
TOTAL GENERAL REVENUES					
CHANGE IN NET DEFECIT				66,407	(275,791)
NET DEFICIT, BEGINNING OF YEAR, RESTATED				<u>(1,069,094)</u>	<u>(793,303)</u>
NET DEFICIT, END OF YEAR				<u>\$ (1,002,687)</u>	<u>\$ (1,069,094)</u>

The accompanying notes are an integral part of these financial statements.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
BALANCE SHEETS - GOVERNMENTAL FUND
JUNE 30, 2018
With Comparative Information for the Year Ended June 30, 2017

ASSETS	2018	2017
Cash	1,128,673	\$ 1,153,148
Investments	663,168	629,186
Accounts receivable	191,559	55,780
Due from Allentown School District	107,593	161,460
TOTAL ASSETS	2,090,993	\$ 1,999,574
 LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	115,427	\$ 54,023
Accrued payroll and payroll withholdings	139,935	140,320
Total Liabilities	255,362	194,343
 FUND BALANCES:		
Restricted	194,937	82,554
Unreserved fund balances	1,640,694	1,722,677
TOTAL LIABILITIES AND FUND BALANCES	2,090,993	\$ 1,999,574

The accompanying notes are an integral part of these financial statements.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUND
TO STATEMENT OF NET POSITION
JUNE 30, 2018

TOTAL GOVERNMENTAL FUND BALANCE	\$ 1,835,631
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Total net position reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,514,506
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Net pension liability	(4,915,117)
Net OPEB liability	(202,764)

Deferred inflows and outflows related to the Library's net pension and OPEB liabilities are based on the differences between actuarially determined actual and expected investment returns, changes in the actuarially determined proportion of the Library's amount of the total pension and OPEB liabilities, and pension and OPEB contributions made after the measurement date of the net pension and OPEB liabilities. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows of resources:			
Deferred pension items		895,950	
Deferred OPEB items		15,663	
Deferred inflows of resources:			
Deferred pension		(137,121)	
Deferred OPEB items		(9,435)	
		765,057	

NET DEFICIT OF GOVERNMENTAL ACTIVITIES	\$ (1,002,687)
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The accompanying notes are an integral part of these financial statements.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
With Comparative Information for the year ended June 30, 2017

	<u>2018</u>	<u>2017</u>
REVENUES:		
Government grants	\$ 1,041,349	\$ 1,087,989
Real estate taxes:		
Passed through Allentown School District	1,477,465	1,425,847
Passed through Salisbury Township	81,559	81,559
Contributions and nongovernmental grants	306,110	30,255
Fines and charges for services	84,149	101,185
Net investment income	25,634	22,298
Unrealized gain (loss), net	28,521	50,308
 TOTAL REVENUES	 <u>3,044,787</u>	 <u>2,799,441</u>
 EXPENDITURES:		
Salaries and wages	1,380,834	1,379,892
Benefits	768,255	760,486
Books, periodicals and supplies	333,870	376,359
Administration	155,406	150,265
Utilities	93,489	103,278
Insurance	38,093	31,558
Capital outlays	163,328	-
Repairs and maintenance	81,112	144,867
 TOTAL EXPENDITURES	 <u>3,014,387</u>	 <u>2,946,705</u>
 NET CHANGE IN FUND BALANCES	 30,400	 (147,264)
 FUND BALANCES, BEGINNING OF YEAR	 <u>1,805,231</u>	 <u>1,952,495</u>
 FUND BALANCES, END OF YEAR	 <u>\$ 1,835,631</u>	 <u>\$ 1,805,231</u>

The accompanying notes are an integral part of these financial statements.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ 30,400
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 140,770	
Depreciation expense	<u>(81,331)</u>	<u>59,439</u>

Pension and OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the Organization's proportionate share of the expenses of the cost-sharing pension and OPEB plans, whereas pension expenditures in the governmental funds when requirements to remit contributions	<u>(23,432)</u>
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CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 66,407</u></u>
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The accompanying notes are an integral part of these financial statements.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 ORGANIZATION

The Allentown Public Library ("the Library") primarily serves the residents of the City of Allentown and Salisbury Township, Pennsylvania. The Library receives a majority of its revenues from an appropriation of real estate taxes levied by the Allentown School District. Because of this, the Library is considered to be a component unit of the School District. These financial statements solely reflect the activity of the Library and do not include the results of operations of the Allentown School District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In accordance with the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification"), the Library has presented a statement of net position and statement of activities for the Library as a whole. Entity-wide accounting is designed to provide a more comprehensive view of the Library's operations and financial position as a single economic entity.

Governmental activities are those financed through taxes, intergovernmental revenues, and other nonexchange revenues and usually are reported in governmental funds. The statement of activities presents a comparison between direct expenses and program revenues for the different types of activities of the Library. Direct expenses are those that are associated specifically with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees, fines, and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

The fund financial statements provide information about the Library's fund. The emphasis of fund financial statements is on the governmental fund. The assets, liabilities, and fund balance of the Library are reported in one self-balancing group as described below.

Governmental Fund Type

General Fund – Unrestricted resources available for support of Library operations.

Measurement Focus and Basis of Accounting

The entity-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when incurred regardless of when the related cash flows take place. Nonexchange transactions in which the Library receives value without directly giving equal value in exchange include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied. Operating funds restricted by the grantor for particular operating purposes are deemed to be earned and reported as revenues when the Library has incurred expenditures in compliance with the specific restrictions.

The entity-wide financial statements report net position in one of three components, investment in capital assets, restricted net position, and unrestricted net position. Investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Library or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position consists of net position that does not meet the definition of "investment in capital assets" or "restricted net position."

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers all revenues to be available if they are collected within 60 days after fiscal year end. Revenues considered susceptible to accrual include real estate taxes, investment income, and grants associated with the current fiscal year. All other revenue items are considered measurable and available only when cash is received by the Library. Expenditures generally are recognized when the liability is incurred.

Program Revenues

The statement of activities presents three categories of program revenues: (1) charges for services; (2) operating grants and contributions; and (3) capital grants and contributions. Charges for services are those revenues arising from charges to customers who purchase, use, or directly benefit from goods and services provided by the Library. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are restricted for a specific use.

Income Taxes

The Library qualifies as a tax-exempt organization under Section 115 of the Internal Revenue Code, and its activities do not result in any income tax liability.

Investments

Investments are reported at fair value.

In establishing the fair value of investments, the Library uses the following hierarchy. The lowest available level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the entity-wide financial statements. The Library capitalizes assets with an initial, individual cost of more than \$4,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The following is a schedule of the estimated useful lives:

Land improvements	20 years
Buildings and building improvements	50 years
Furniture and equipment	5 – 20 years

Collections

The Library has collections of noncirculating library materials, including books, periodicals, and other items. These collections are maintained by the Library under curatorial care and are held for research, education, and public exhibition of public service. Proceeds from sales of collections are used to acquire other items for collections. The cost of collections purchased by the Library is expensed in the year of purchase. The value of the Library's collections, for financial statement purposes, cannot be determined. The costs of circulating books and other library materials are not recorded as collections but are recorded as an expense in the year purchased because the useful lives of such items are relatively short.

Budgetary Information

The following timeline is followed in establishing the budgetary data reflected in the financial statements for the general fund:

- Prior to May 31, the Library prepares a tentative budget. The current budget lapses at year end. The operating budget includes proposed expenditures and the means to finance those expenditures.
- At the regular August meeting of the Board, the tentative budget is adopted.
- After 30 days (typically by the regular September meeting of the Board), the budget is adopted through passage of a Board Resolution.

Fund Balance

Fund balance of the governmental fund is classified, if applicable, 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 spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts for which the governing board imposes constraints on how funds may or may not be used. In such a case, the only way a constraint can be removed or changed is by the same type of action of the governing board.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Library Director may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Library considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Library considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment actions or the Library Director or Board have provided otherwise in their assignment actions.

PSERS Pension and OPEB

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, information about the fiduciary net position of the Public School Employee's Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Implementation of GASB Statements

The Library adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The adoption of this statement resulted in modification of Note 8 of the financial statements and the addition of two schedules that are included as required supplementary information in the financial statements.

The Library adopted the provisions of GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The adoption of this statement had no effect on previously reported amounts.

The Library adopted the provisions of GASB Statement No. 82, *Pension Issues – An amendment of GASB Statements No. 67, No. 68, and No. 73*. The adoption of this statement had no effect on previously reported amounts.

The Library adopted the provisions of GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The adoption of this statement had no effect on previously reported amounts.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Library does not have a policy for custodial credit risk on deposits. The Library is required by statute to deposit funds in depositories that are either banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

At June 30, 2018, the carrying amount of the Library's deposits was \$1,128,273, and the bank balance was \$1,165,727. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remaining \$915,727 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the Library's name.

NOTE 4 INVESTMENTS

Fair Value Measurement

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the library has the ability to access.

The Library categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The Library has the following recurring fair value measurements as of June 30, 2018:

Investment Type	Fair Value	Level 1
Equity mutual funds	\$ 225,141	\$ 225,141
Bond mutual funds	88,248	88,248
Domestic equities	296,305	296,305
Money market mutual fund	53,474	53,474
Total	<u>\$ 663,168</u>	<u>\$ 663,168</u>

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 CAPITAL ASSETS

The following is a schedule of capital assets for the year ended June 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 209,941	\$ -	\$ -	\$ 209,941
Total capital assets not being depreciated	<u>209,941</u>	<u>-</u>	<u>-</u>	<u>209,941</u>
Capital assets being depreciated:				
Land improvements	67,872	-	-	67,872
Buildings and building improvements	3,905,151	-	-	3,905,151
Furniture and equipment	<u>403,283</u>	<u>140,770</u>	<u>-</u>	<u>544,053</u>
Total capital assets being depreciated	<u>4,376,306</u>	<u>140,770</u>	<u>-</u>	<u>4,517,076</u>
Less accumulated depreciation for:				
Land improvements	60,693	879	-	61,572
Buildings and building improvements	2,685,214	78,434	-	2,763,648
Furniture and equipment	<u>385,273</u>	<u>2,018</u>	<u>-</u>	<u>387,291</u>
Total accumulated depreciation	<u>3,131,180</u>	<u>81,331</u>	<u>-</u>	<u>3,212,511</u>
Total capital assets being depreciated, net	<u>1,245,126</u>	<u>59,439</u>	<u>-</u>	<u>1,304,565</u>
Governmental activities capital assets, net	<u>\$ 1,455,067</u>	<u>\$ 59,439</u>	<u>\$ -</u>	<u>\$ 1,514,506</u>

The following is a schedule of capital assets for the year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 209,941	\$ -	\$ -	\$ 209,941
Total capital assets not being depreciated	<u>209,941</u>	<u>-</u>	<u>-</u>	<u>209,941</u>
Capital assets being depreciated:				
Land improvements	67,872	-	-	67,872
Buildings and building improvements	3,905,151	-	-	3,905,151
Furniture and equipment	<u>403,283</u>	<u>-</u>	<u>-</u>	<u>403,283</u>
Total capital assets being depreciated	<u>4,376,306</u>	<u>-</u>	<u>-</u>	<u>4,376,306</u>
Less accumulated depreciation for:				
Land improvements	59,814	879	-	60,693
Buildings and building improvements	2,606,780	78,434	-	2,685,214
Furniture and equipment	<u>383,225</u>	<u>2,048</u>	<u>-</u>	<u>385,273</u>
Total accumulated depreciation	<u>3,049,819</u>	<u>81,361</u>	<u>-</u>	<u>3,131,180</u>
Total capital assets being depreciated, net	<u>1,326,487</u>	<u>(81,361)</u>	<u>-</u>	<u>1,245,126</u>
Governmental activities capital assets, net	<u>\$ 1,536,428</u>	<u>\$ (81,361)</u>	<u>\$ -</u>	<u>\$ 1,455,067</u>

NOTE 6 FUND BALANCES

Fund balances are composed of the following:

	2018	2017
Restricted:		
Donor restricted	\$ 194,937	\$ 82,554
Unassigned	<u>1,640,694</u>	<u>1,722,677</u>
TOTAL FUND BALANCES	<u>\$ 1,835,631</u>	<u>\$ 1,805,231</u>

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 PENSION PLAN

Plan Description

The Library contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the system include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania.

PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least one year of credited service, (b) age 60 with 30 or more years of credited service, or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members, and introduced benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E") and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members, or who has at least five years of credited service for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

Active members who joined the system prior to July 22, 1983 contributed at 5.25 percent (Membership Class T-C), or at 6.50 percent (Membership Class T-D) of the member's qualifying compensation.

ALLENTOWN PUBLIC LIBRARY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 PENSION PLAN (CONTINUED)

Members who joined the system on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C), or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system after June 30, 2001 and before July 1, 2011 contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected

Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

Employer Contributions

The Library's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, the rate of the employer contribution was 32.57 percent of covered payroll, which was comprised of 31.74 percent for pension contributions and 0.83 percent for healthcare premium assistance. The Library's contributions to PSERS for the years ended June 30, 2018, 2017, and 2016 was \$427,108, \$393,898, and \$316,715, respectively.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2018, the Library reported a liability of \$4,915,117 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2016 to June 30, 2017. The Library's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the Library's proportion was 0.0010 percent, which was an increase of 0.0002 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Library recognized pension expense of \$25,805. At June 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 PENSION PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 113,892	\$ -
Changes of assumptions	133,523	-
Difference between expected and actual experience	51,277	29,700
Changes in proportions	135,493	107,421
Difference between employer contributions and proportionate share of total contributions	16,704	-
Contributions subsequent to the date of measurement	445,061	-
	<u>\$ 895,950</u>	<u>\$ 137,121</u>

An amount of \$445,061 is reported as deferred outflows of resources resulting from the Library's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ended June 30,

2019	\$ 34,767
2020	143,821
2021	130,582
2022	4,598
2023	-
	<u>\$ 313,768</u>

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the system's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.25 percent, including inflation of 2.75 percent.
- Salary increases – Effective average of 5.00 percent, which reflects an allowance for inflation of 2.75 percent, real wage growth and merit or seniority increases of 2.25 percent.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount Rate

The discount used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ALLENTOWN PUBLIC LIBRARY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 PENSION PLAN (CONTINUED)

Sensitivity of the Library's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease 6.25%	Current Rate Discount Rate 7.25%	1% Increase 8.25%
District's and Library's proportionate share of the net pension liability	\$6,050,079	\$ 4,915,117	\$ 3,956,893

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS

The Library contributes to the Pennsylvania Public School Employees' Retirement System ("PSERS") which provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the PSERS Plan if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their library employer or the PSERS' Health Options Program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions. The Library's contractually required contribution rate for fiscal year ended June 30, 2018 was 0.83% of covered payroll, an actuarially determined amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS Plan from the Library were \$11,638 for the year ended June 30, 2018.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB:

At June 30, 2018 and 2017, the Library reported a liability of \$202,764 and \$210,059, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The Library's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll of all School Districts in the PSERS Plan. At June 30, 2018, the Library's proportion was 0.0010 percent, which was an increase of 0.0098 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Library recognized OPEB net negative expense of \$2,373. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 214	\$ -
Changes of assumptions	-	9,435
Changes in proportions	3,689	-
Difference between employer contributions and proportionate share of total contributions	122	-
Contributions subsequent to the date of measurement	11,638	-
	<u>\$ 15,663</u>	<u>\$ 9,435</u>

\$11,638 reported as deferred outflows of resources related to OPEB resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,

2019	\$ (884)
2020	(884)
2021	(884)
2022	(884)
2023	(937)
Thereafter	(937)
	<u>\$ (5,410)</u>

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions. The total OPEB liability as of June 30, 2017 was determined by rolling forward the System's total OPEB liability as of the June 30, 2016 actuarial valuation to June 30, 2017 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 3.13% - S&P 20 Year Municipal Bond Rate
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and seniority increases.
- Premium assistance reimbursement capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females adjusted to reflect PSERS' experience and projected using a modified version of the RP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits).

A recent actuarial experience study was not performed.

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the Program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017 were:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed income	23.6%	1.5%
	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 3.13%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the Library's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the Library's Proportionate Share of the net OPEB liability as well as what the Library's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
	<u>Between 4% to 7%</u>	<u>Between 5% to 8%</u>	<u>Between 6% to 9%</u>
Library's proportionate share of the net OPEB liability	\$ 202,705	\$ 202,764	\$ 202,800

Sensitivity of the Library's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the Library's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.13 percent) or higher (4.13 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>2.13%</u>	<u>3.13%</u>	<u>4.13%</u>
Library's proportionate share of the net OPEB liability	\$ 230,491	\$ 202,764	\$ 179,738

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB plan fiduciary net position.

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

NOTE 9 ECONOMIC DEPENDENCY

For the year ended June 30, 2018, and 2017, the Library received 49 percent, or \$1,477,465 and 51 percent or \$1,425,847, respectively, of its operating support from the Allentown School District. For the year ended June 30, 2018 and 2017, the Library received 35 percent, or \$1,041,349 and 39 percent, or \$1,077,989 of its operating support from the Commonwealth of Pennsylvania. The continued existence of the Library is contingent on the continuation of these relationships.

NOTE 10 RELATED-PARTY TRANSACTIONS

The Library has various transactions with the Allentown School District which are related because of a common Board of Directors. As disclosed in Note 9, the Library received a substantial portion of its support from the District during the year ended June 30, 2018, and 2017. The District also provides certain general and administrative services to the Library. As of June 30, 2018, and 2017, the Library owed the District \$24,392, and \$47,829, respectively, related to their portion of reimbursable office and insurance expenses paid by the District; simultaneously, as of June 30, 2018, and 2017, the Library was owed \$131,985 and \$209,829, respectively, from the District for their portion of state retirement and social security subsidy. The net of these two transactions results in the Library being owed \$107,593 as of June 30, 2018 and \$161,460 as of June 30, 2017 from the District.

NOTE 11 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The Library participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Library is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The general fund incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2018:

Salaried Library Personnel	\$ 3,746
Hourly Personnel	1,292
Medical Insurance	1,583
Children's books	1,087
Periodicals - main library	1,174
ADA Wright materials	233
AV materials	200
Electronic databases	15,316
District center	17,107
Staff development	1,168
Contracted services	2,200
Gas - main library	26
Insurance	6,593
Capital outlays	163,328
Custodial supplies	468
Contracted building maintenance	2,561

The excess expenditures over appropriations were financed with current year savings in other budget appropriation line items.

NOTE 13 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$2,605,441 includes the effect of the deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, the unamortized portion of pension and OPEB contributions made in excess of the Library's share of its proportionate pension and OPEB contributions to its pension and OPEB plan, and the deferred outflows resulting from the change in the Library's share of the net pension and OPEB liabilities. This is offset by the Library's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from the differences between projected and actual investment earnings.

NOTE 14 RESTATEMENT

The Library recorded the cumulative effect of applying the provisions of GASB Statement No. 75 as a restatement of beginning net deficit as of July 1, 2017. Net deficit as of July 1, 2017 was increased by \$198,909 in the statement of activities.

NOTE 15 SUBSEQUENT EVENTS

The Library has evaluated all subsequent events through March 4, 2019, the date the financial statements were available to be issued.

REQUIRED
SUPPLEMENTARY
INFORMATION

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUE:			
Government grants	\$ 1,043,379	\$ 1,041,349	\$ (2,030)
Real estate taxes:			
Passed through Allentown School District	1,477,465	1,477,465	-
Passed through Salisbury Township	95,000	81,559	(13,441)
Contributions and grants	40,000	306,110	266,110
Fines and charges for services	111,000	84,149	(26,851)
Realized and unrealized gain (loss)	-	28,521	28,521
Net investment income	50,000	25,634	(24,366)
TOTAL REVENUE	<u>\$ 2,816,844</u>	<u>\$ 3,044,787</u>	<u>\$ 227,943</u>
EXPENDITURES:			
Salaries and wages:			
Salaried library personnel	\$ 1,142,000	\$ 1,145,746	\$ (3,746)
Hourly personnel	85,000	86,292	(1,292)
Custodial personnel	163,000	148,796	14,204
Total Salaries and Wages	<u>1,390,000</u>	<u>1,380,834</u>	<u>9,166</u>
Benefits:			
Social security	106,335	105,645	690
Retirement	452,723	438,277	14,446
Medical insurance	220,000	221,583	(1,583)
Life insurance	3,000	2,750	250
Total Benefits	<u>782,058</u>	<u>768,255</u>	<u>13,803</u>
Books, periodicals and supplies:			
Adult books	59,500	55,473	4,027
Children's books	35,000	36,087	(1,087)
Reference books	15,000	9,404	5,596
Periodicals - main library	13,000	14,174	(1,174)
Periodicals - south branch	-	-	-
ADA Wright materials	200	433	(233)
District center	-	-	-
AV materials	52,000	52,200	(200)
Joint bibliographic system	35,000	-	35,000
LSTA/MURLS	5,800	-	5,800
E-content	50,000	40,783	9,217
Electronic databases	110,000	125,316	(15,316)
Records/CDs	-	-	-
Total Books, Periodicals and Supplies	<u>375,500</u>	<u>333,870</u>	<u>41,630</u>

Continued on next page.

ALLENTOWN PUBLIC LIBRARY
A Component Unit of the Allentown School District
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

(Continued)	Budget	Actual	Variance Positive (Negative)
Administration:			
Library supplies	15,000	14,797	203
Library	39,000	38,408	592
District center	8,500	25,607	(17,107)
Postage	2,000	407	1,593
Delivery	14,000	11,881	2,119
Staff development	1,000	2,168	(1,168)
Community relations	11,500	9,997	1,503
Contracted services	32,000	34,200	(2,200)
Palinet service	20,000	17,941	2,059
Audit	8,000	-	8,000
Total Administration	<u>151,000</u>	<u>155,406</u>	<u>(4,406)</u>
Utilities:			
Gas - main library	200	226	(26)
Electric - main library	95,000	87,344	7,656
Water and sewage - main library	3,000	2,674	326
Telephone - main library	4,000	3,245	755
Total Utilities	<u>102,200</u>	<u>93,489</u>	<u>8,711</u>
Insurance	<u>31,500</u>	<u>38,093</u>	<u>(6,593)</u>
Budgetary Reserve	5,000	-	5,000
Capital outlays	-	163,328	(163,328)
Repairs and maintenance:			
Equipment maintenance	81,000	50,481	30,519
Computer services/equipment	24,000	14,232	9,768
Custodial supplies	8,000	8,468	(468)
Rubbish removal	400	375	25
Contracted building maintenance	2,000	4,561	(2,561)
Vehicle operation/purchase	4,500	2,995	1,505
Total Repairs and Maintenance	<u>119,900</u>	<u>81,112</u>	<u>38,788</u>
TOTAL EXPENDITURES	<u><u>2,957,158</u></u>	<u><u>3,014,387</u></u>	<u><u>(57,229)</u></u>

ALLENTOWN PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF LIBRARY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)

	Measurement Date			
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Library's proportion of the net pension liability	0.0010%	0.0098%	0.0095%	0.0098%
Library's proportion of the net pension liability	\$ 4,915,117	\$ 4,832,804	\$ 4,126,241	\$ 3,896,773
Library's covered payroll	\$ 1,324,942	\$ 1,262,933	\$ 1,198,421	\$ 1,256,352
Library's proportionate share of the net pension liability as a percentage of its covered payroll	370.97%	382.67%	344.31%	310.17%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	50.14%	54.36%	57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

ALLENTOWN PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF LIBRARY CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 427,108	\$ 393,898	\$ 316,715	\$ 245,676
Contributions in relation to the contractually required contribution	<u>427,108</u>	<u>393,898</u>	<u>316,715</u>	<u>245,676</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Library's covered payroll	\$ 1,345,646	\$ 1,301,189	\$ 1,266,860	\$ 1,198,421
Contributions as a percentage of covered payroll	31.74%	30.27%	25.00%	20.50%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

ALLENTOWN PUBLIC LIBRARY
SCHEDULE OF THE LIBRARY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
PSERS OPEB PLAN
FOR THE YEAR ENDED JUNE 30, 2018

	Measurement Date	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Library's proportion of the net OPEB liability	0.0010%	0.0098%
Library's proportion of the net OPEB liability	\$ 202,764	\$ 210,059
Library's covered payroll	\$ 1,402,207	\$ 1,262,933
Library's proportionate share of the net OPEB liability as a percentage of its covered payroll	14.46%	16.63%
Plan fiduciary net position as a percentage of the total OPEB liability	0.07%	0.07%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

ALLENTOWN PUBLIC LIBRARY
SCHEDULE OF THE LIBRARY'S CONTRIBUTIONS
PSERS OPEB PLAN
FOR THE YEAR ENDED JUNE 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 11,638	\$ 11,150
Contributions in relation to the contractually required contribution	<u>11,638</u>	<u>11,150</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Library's covered payroll	\$ 1,402,169	\$ 1,301,189
Contributions as a percentage of covered payroll	0.83%	0.86%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.