

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)**

**Financial Statements
with Supplementary Information**

December 31, 2016 and 2015

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Financial Statements with Supplementary Information
December 31, 2016 and 2015**

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INDEPENDENT AUDITORS' REPORT

The Honorable Board of Trustees
of the Mahwah Public Library
Township of Mahwah, New Jersey

Report on the Financial Statements

We have audited the accompanying comparative balance sheet -regulatory basis of the Mahwah Public Library (the "Library"), County of Bergen, State of New Jersey, (A Component Unit of the Township of Mahwah, the "Township"), as of December 31, 2016 and 2015, and the related comparative statements of revenues, expenditures and changes in net assets and cash receipts and disbursements for the years then ended, and the related notes to the financial statements, which collectively comprise the Library's financial statements – regulatory basis 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 - regulatory basis (the "financial statements") in accordance with the financial reporting provision of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 misstatements 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 representation 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared and presented by the Library on the basis of financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting prescribed by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey for municipal libraries. The effect on the financial statements of the variances between the regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of each account of the Library as of December 31, 2016 and 2015, or the changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above, present fairly, in all material respects, the comparative statement of revenues, expenditures, and changes in net assets – regulatory basis, of each account group of the Library as of December 31, 2016 and 2015, and each accounts’ respective operations and changes in financial position and net assets – regulatory basis for the years then ended, on the basis of the financial reporting provisions of the Division as described in Note 1.

Other Matters

Required Supplementary Information

Management has omitted 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 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. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division, to supplement the financial statements and therefore it has not been presented by management. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

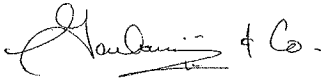
Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Library’s basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 3, 2017 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Paul W. Garbarini, CPA
Registered Municipal Accountant
No. 534



Garbarini & Co. P.C. CPAs
Registered Municipal Accountants

Carlstadt, New Jersey
May 3, 2017

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Trustees
of the Mahwah Public Library
Township of Mahwah, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the comparative balance sheet – regulatory basis (the "financial statements") of the Mahwah Public Library (the "Library"), County of Bergen, State of New Jersey, A Component Unit of the Township of Mahwah (the "Township"), as of and for the years ended December 31, 2016 and 2015, and the related comparative statements of revenues, expenditures and changes in net assets and cash receipts and disbursements for the years then ended, and the related notes to the financial statements, which collectively comprise the Library's financial statements and have issued our report thereon dated May 3, 2017. As described in Note 1, the Library prepares its financial statements on a basis of accounting prescribed by the Division that demonstrates compliance with a modified accrual basis of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all the deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

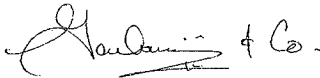
As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and audit requirements prescribed by the Division.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Paul W. Garbarini, CPA
Registered Municipal Accountant
No. 534



Garbarini & Co. P.C. CPAs
Registered Municipal Accountants

Carlstadt, New Jersey
May 3, 2017

Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Comparative Balance Sheets - Regulatory Basis
December 31, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Operating Fund:		
Operating Account	\$ 5,244	\$ 37,500
Operating Reserve Account	313,858	298,144
Unemployment Account	89,491	88,683
Electronic Receipts Account	4,526	828
Payroll Account	778	500
Total Operating	<u>413,897</u>	<u>425,655</u>
Capital Fund:		
Private Contribution Account	40,254	40,244
Capital Reserve Account	467,712	394,706
Capital Account	786	500
Total Capital	<u>508,752</u>	<u>435,450</u>
TOTAL ASSETS	<u>\$ 922,649</u>	<u>\$ 861,105</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Current Liabilities:		
Accounts Payable:		
Unassigned	\$ 1,479	\$ 4,550
Unclaimed payroll	667	394
Fund Balances:		
Unrestricted:		
Assigned - Unemployment Reserve	89,491	88,683
Unassigned	322,260	332,028
Restricted:		
Capital Fund	<u>508,752</u>	<u>435,450</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 922,649</u>	<u>\$ 861,105</u>

See independent auditor's report and notes to financial statements.

Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Comparative Statement of Revenues, Expenditures and
Changes in Net Assets - Regulatory Basis
December 31, 2016 and 2015

	<u>Unrestricted</u>		<u>Restricted</u>	
	<u>Unassigned Operating Fund</u>	<u>Unemployment Reserve</u>	<u>Building & Capital Improvements</u>	<u>Total 2016</u>
2016 REVENUES				
Township of Mahwah appropriations	\$ 1,963,769	\$ -	\$ -	\$ 1,963,769
State Aid	11,264			11,264
Fines	19,235			19,235
Contributions	8,315			8,315
Reciprocal borrowing	5,277			5,277
Copier/computer printout revenue	4,843			4,843
Video rentals	23			23
Interest on savings	924	225	1,015	2,164
Lost and damaged books	3,009			3,009
Miscellaneous revenue	4,427	2,111		6,538
Interfund	15,370		110,000	125,370
	<u>2,036,456</u>	<u>2,336</u>	<u>111,015</u>	<u>2,149,807</u>
Total Revenues				
2016 EXPENDITURES				
Salaries and benefits	1,293,651			1,293,651
Library materials	240,520			240,520
Operating expenses	51,744	1,528		53,272
Professional fees	21,991		19,024	41,015
Supplies and stationary	35,817			35,817
Program expense	69,608			69,608
Computer expense	47,660			47,660
Furniture and equipment	10,550			10,550
Building maintenance	87,712			87,712
Utilities	76,971			76,971
Capital Improvements			3,319	3,319
Interfund	110,000		15,370	125,370
	<u>2,046,224</u>	<u>1,528</u>	<u>37,713</u>	<u>2,085,465</u>
Total Expenditures				
Excess/(deficit) of revenues over/(under) expenditures	(9,768)	808	73,302	64,342
Net Assets, January 1	<u>332,028</u>	<u>88,683</u>	<u>435,450</u>	<u>856,161</u>
Net Assets, December 31	<u>\$ 322,260</u>	<u>\$ 89,491</u>	<u>\$ 508,752</u>	<u>\$ 920,503</u>

See independent auditor's report and notes to financial statements.

Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Comparative Statement of Revenues, Expenditures and
Changes in Net Assets - Regulatory Basis
December 31, 2016 and 2015

	<u>Unrestricted</u>		<u>Restricted</u>	
	<u>Unassigned Operating Fund</u>	<u>Unemployment Reserve</u>	<u>Building & Capital Improvements</u>	<u>Total 2015</u>
2015 REVENUES				
Township of Mahwah appropriations	\$ 1,983,717	\$ -	\$ -	\$ 1,983,717
State Aid	11,321			11,321
Fines	20,799			20,799
Contributions	5,222			5,222
Reciprocal borrowing	7,127			7,127
Copier/computer printout revenue	4,559			4,559
Video rentals	6,886			6,886
Interest on savings	48	135	54	237
Lost and damaged books	2,833			2,833
Miscellaneous revenue	3,465	3,065		6,530
Interfund			95,370	95,370
Total Revenues	<u>2,045,977</u>	<u>3,200</u>	<u>95,424</u>	<u>2,144,601</u>
2015 EXPENDITURES				
Salaries and benefits	1,351,678			1,351,678
Library materials	243,038			243,038
Operating expenses	54,920	191	159	55,270
Professional fees	33,476		16,643	50,119
Supplies and stationary	34,059			34,059
Program expense	63,245			63,245
Computer expense	46,020			46,020
Furniture and equipment	11,875			11,875
Building maintenance	73,754			73,754
Utilities	70,469			70,469
Capital Improvements			70,729	70,729
Interfund	95,370			95,370
Total Expenditures	<u>2,077,904</u>	<u>191</u>	<u>87,531</u>	<u>2,165,626</u>
Excess/(deficit) of revenues over/(under) expenditures	(31,927)	3,009	7,893	(21,025)
Net Assets, January 1	<u>363,955</u>	<u>85,674</u>	<u>427,557</u>	<u>877,186</u>
Net Assets, December 31	<u>\$ 332,028</u>	<u>\$ 88,683</u>	<u>\$ 435,450</u>	<u>\$ 856,161</u>

See independent auditor's report and notes to financial statements.

Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Comparative Statement of Cash Receipts and Disbursements
December 31, 2016 and 2015

	<u>Operating Funds</u>	<u>Capital Funds</u>
Balance per books, January 1, 2016	\$ 425,655	\$ 435,450
Increased by Receipts:		
Township of Mahwah budget appropriation	1,963,769	
State aid	11,264	
Fines	19,235	
Contributions	8,315	
Reciprocal borrowing	5,277	
Copier/computer printout revenue	4,843	
Video rentals	23	
Interest on savings	1,149	1,015
Lost and damaged books	3,009	
Miscellaneous revenue	6,538	
Interfund	15,370	110,000
	<u>2,038,792</u>	<u>111,015</u>
	2,464,447	546,465
Decreased by Disbursements:		
Expenditures	<u>2,050,550</u>	<u>37,713</u>
Balance per books, December 31, 2016	<u>\$ 413,897</u>	<u>\$ 508,752</u>

Analysis of cash balance at December 31, 2016

Balance per bank's statements of:

Boiling Springs Bank:

Operating Account #0003243635	\$ 13,769	\$ -
Operating Reserve Account #0003672608	333,858	
Unemployment Account #0003964322	89,491	
Payroll Account #0003524849	778	
Electronic Receipts Account #0003129050	4,519	
Private Contributions Account #0003233135		40,254
Capital Account #0003623800		13,626
Capital Reserve Account #000368107		469,212
Add: Deposit in transit	20,121	1,500
(Less:) Outstanding checks	<u>(48,639)</u>	<u>(15,840)</u>
Balance, December 31, 2016	<u>\$ 413,897</u>	<u>\$ 508,752</u>

See independent auditor's report and notes to financial statements.

Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Comparative Statement of Cash Receipts and Disbursements
December 31, 2016 and 2015

	<u>Operating Funds</u>	<u>Capital Funds</u>
Balance per books, January 1, 2015	\$ 455,120	\$ 427,557
Increased by Receipts:		
Township of Mahwah budget appropriation	1,983,717	
State aid	11,321	
Fines	20,799	
Contributions	5,222	
Reciprocal borrowing	7,127	
Copier/computer printout revenue	4,559	
Video rentals	6,886	
Interest on savings	183	54
Lost and damaged books	2,134	
Miscellaneous revenue	7,229	
Interfund		95,370
	<u>2,049,177</u>	<u>95,424</u>
	2,504,297	522,981
Decreased by Disbursements:		
Expenditures	<u>2,078,642</u>	<u>87,531</u>
Balance per books, December 31, 2015	<u><u>\$ 425,655</u></u>	<u><u>\$ 435,450</u></u>

Analysis of cash balance at December 31, 2015

Balance per bank's statements of:

Boiling Springs Bank:

Operating Account #0003243635	\$ 60,061	\$ -
Operating Reserve Account #0003672608	295,148	
Unemployment Account #0003964322	88,683	
Payroll Account #0003524849	4,355	
Electronic Receipts Account #0003129050	791	
Private Contributions Account #0003233135		40,244
Capital Account #0003623800		500
Capital Reserve Account #000368107		30,102

Add: Deposit in transit	3,467	364,604
(Less:) Outstanding checks	<u>(26,850)</u>	
Balance, December 31, 2015	<u><u>\$ 425,655</u></u>	<u><u>\$ 435,450</u></u>

See independent auditor's report and notes to financial statements.

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Notes to the Financial Statements
December 31, 2016 and 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Mahwah Public Library (the "Library"), County of Bergen, State of New Jersey, (A Component Unit of the Township of Mahwah, the "Township") conform to the accounting principles applicable to municipalities and libraries (component units) prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles (GAAP). The following is a summary of the significant policies.

General Statement

The Library provides free library services ranging from reference assistance, children programs, audiovisual and periodicals to the residents of the Township.

Component Unit

The Governmental Accounting Standards Board Statement 14 requires that disclosure be made in the financial statements regarding the financial reporting entity of government units.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and the other organizations for which the primary government is not accountable but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A component unit is a legally separate organization for which the elected officials or the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the primary government.

The Library is a component unit of the primary government of the Township. The members of the Library are appointed by the Mayor with the advice and consent of the Council of the Township, and the Township would be obligated to guarantee debt of the Library to the extent not met by other sources.

See independent auditor's report.

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Notes to the Financial Statements
December 31, 2016 and 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

An annual budget is adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements are those adopted by the Library Board of Trustees.

Measurement Focus and Basis of Accounting

The financial statements are reported using the current financial resources measurement focus and the regulatory basis of accounting that demonstrates compliance with the modified accrual basis of accounting with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the method of modified accrual basis of accounting, revenues are recognized when received and expenditures are recorded when incurred.

Revenues

Revenues, except for the municipal contribution and State/Federal Aid, are recognized on a cash basis. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Expenditures

Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements.

Compensated Absences

Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation. During 2012, a revised personnel manual was adopted that allows the Library to pay employees for accumulated vacation time upon termination. Other accumulated time, such as sick leave, is not paid out upon termination.

Inventories of Supplies

The costs of inventories of supplies and the library collection for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories and the library collection are not capitalized on the balance sheet as required by GAAP.

See independent auditor's report.

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Notes to the Financial Statements
December 31, 2016 and 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Capital Assets

The library building is owned by the Township and is not recorded on the books of the Library. No depreciation on the building is included in operating expenditures. Equipment is recorded as an expenditure at time of purchase and is not recorded as a capital asset.

Use of Estimates

The preparation of financial statements in conformity with the accounting practices prescribed by the Division requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basic Financial Statements

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Library presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP.

2. FUND ACCOUNTING

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Library, the accounts of the Library are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities reserves, fund balance, revenues and expenditures, as appropriate.

Funds

Operating Fund: is used to account for the resources and expenditures for operations of a general nature, including Federal, State and Local grants for operations, if any,

Capital Fund: is used to account for the receipts, custodianship and disbursements of monies in accordance with the purpose for which the fund was created.

See independent auditor's report.

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Notes to the Financial Statements
December 31, 2016 and 2015**

3. CASH AND CASH EQUIVALENTS

The Library considers petty cash, change funds, cash in banks and certificates of deposit as cash and cash equivalents.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-151.1(a) that are treated as cash equivalents. As of December 31, 2016 and 2015, \$0 of the Library's bank balance of \$965,507 and \$519,884, respectively, was exposed to custodial credit risk.

Investments

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

The Library had no cash invested as of December 31, 2016 and 2015.

4. EMPLOYEE RETIREMENT PLANS

Library employees are enrolled, through the Township and participate in one of the two contributory defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a). PERS and DCRP do not maintain separate records for Library employees from Township employees.

Public Employees' Retirement System (PERS) Plan

Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

See independent auditor's report.

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Notes to the Financial Statements
December 31, 2016 and 2015**

4. EMPLOYEE RETIREMENT PLANS (Continued)

Public Employees' Retirement System (PERS) Plan (Continued)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$788,514 for 2016, which consisted of \$105,246 from the Library. The employee contribution rate was 7.06% effective July 1, 2015 and increased to 7.20% effective July 1, 2016.

See independent auditor's report.

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Notes to the Financial Statements
December 31, 2016 and 2015**

4. EMPLOYEE RETIREMENT PLANS (Continued)

Public Employees' Retirement System (PERS) Plan (Continued)

Increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2016, the Township's liability was \$26,287,594 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Township's proportion was 0.0887%, which was a decrease of 0.003% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2015, the Township recognized actual pension expense in the amount of \$788,514.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

See independent auditor's report.

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Notes to the Financial Statements
December 31, 2016 and 2015**

4. EMPLOYEE RETIREMENT PLANS (Continued)

Public Employees' Retirement System (PERS) Plan (Continued)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries.

The long-term expected rate of return was determined using a building block 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

See independent auditor's report.

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Notes to the Financial Statements
December 31, 2016 and 2015**

4. EMPLOYEE RETIREMENT PLANS (Continued)

Public Employees' Retirement System (PERS) Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Township's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Township's proportionate share of the Net Pension Liability	\$ 26,024,718	\$ 26,287,594	\$ 26,550,470

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

See independent auditor's report.

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Notes to the Financial Statements
December 31, 2016 and 2015**

4. EMPLOYEE RETIREMENT PLANS (Continued)

Defined Contribution Retirement Plan Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Library recognized pension expense of \$3,784 and \$3,299 for the years ended December 31, 2016 and 2015, respectively.

Deferred Compensation Plan

The Library offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary to future years. Individuals are one hundred percent vested. The plan is funded solely from voluntary employee payroll deductions. Distribution is available to employees upon termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely property and rights of the individual contributors and are not subject to the claims of the Library's general creditors.

5. HEALTH INSURANCE

The Library participates in the health plan administered by the Township. Payments for premiums are paid to the Township in one payment during the year totaling \$115,888 and \$178,429 for the years ended December 31, 2016 and 2015, respectively.

See independent auditor's report.

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Notes to the Financial Statements
December 31, 2016 and 2015**

5. HEALTH INSURANCE (Continued)

Health Insurance Waiver

The Library offers health insurance waivers in an amount of the lesser of \$5,000 or 25% of the medical and/or dental insurance premium which would be charged per employee. In 2016, the Library paid out a total of \$243 and included the waiver as wages on the respective W-2's.

6. CONTINGENCIES

Accumulated Absences

The Library adopted a personnel manual that allows the Library to pay employees for accumulated vacation time upon termination. Other accumulated time, such as sick leave, is not paid out upon termination.

It is estimated that the current cost of such unpaid compensation at December 31, 2016 is approximately \$34,031. This amount is not reported either as expenditure or liability.

Litigation

From time to time the Library is involved in certain legal proceedings, the resolution and impact on the financial statements of which, individually or in the aggregate, in the opinion of management as advised by legal counsel, would not be significant to the accompanying financial statements.

7. TRANSFER OF EXCESS LIBRARY FUNDS TO THE MUNICIPALITY

The annual report submitted by the Library Board of Trustees to the municipality pursuant to N.J.S.A. 40:54-15(a) shall identify excess funds that the board will approve for transfer to the Township as a miscellaneous revenue. Management has calculated that amount to be \$0.

8. ECONOMIC DEPENDENCY

The Library receives a substantial amount of support from the municipality. As a component unit, a significant reduction in the level of the support, if this were to occur, may have an effect on the Library's programs and activities

9. DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated through May 3, 2017, which is the date the financial statements were available to be issued.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Schedule of Accounts Payable
December 31, 2016

Balance, December 31, 2015	\$ 4,550
Increased by Receipts:	
Charged to Budget Appropriations	<u>1,479</u>
	6,029
Decreased by:	
Cash Disbursements	<u>4,550</u>
Balance, December 31, 2016	<u><u>\$ 1,479</u></u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Schedule of 2016 Budget Revenues
December 31, 2016

	<u>Budget Memo</u>	<u>Realized</u>	<u>Excess or (Unrealized)</u>
REVENUES			
Township of Mahwah budget appropriation	\$ 1,963,769	\$ 1,963,769	\$ -
State Aid	11,321	11,264	(57)
Fines	22,000	19,235	(2,765)
Contributions	4,000	8,315	4,315
Reciprocal borrowing	6,000	5,277	(723)
Copier/computer printout revenue	4,000	4,843	843
Paid cards	200		(200)
Interest on savings	300	2,164	1,864
Lost and damaged books	2,500	3,009	509
Video Rentals	-	23	23
Miscellaneous	3,550	6,538	2,988
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 2,017,640</u>	<u>\$ 2,024,437</u>	<u>\$ 6,797</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Schedule of 2016 Budget Expenditures
December 31, 2016

	<u>Budget Memo</u>	<u>Paid or Charged</u>	<u>(Deficit) or Unexpended Balance</u>
EXPENDITURES			
Salaries and benefits	\$ 1,351,214	\$ 1,293,651	\$ 57,563
Library materials	256,119	240,520	15,599
Operating expenses	68,565	53,272	15,293
Professional fees	30,000	41,015	(11,015)
Supplies and stationary	35,000	35,817	(817)
Program expense	69,500	69,608	(108)
Computer expense	45,577	47,660	(2,083)
Furniture and equipment	10,000	10,550	(550)
Building maintenance	73,060	87,712	(14,652)
Utilities	70,850	76,971	(6,121)
Capital Improvements	-	3,319	(3,319)
Contingency	7,755	-	(7,755)
			-
Total Expenditures	<u>\$ 2,017,640</u>	<u>\$ 1,960,095</u>	<u>\$ 42,035</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Board of Trustees
December 31, 2016**

President	Richard Lee
Vice President	Curtis Koster
Treasurer	Richard H. Wolf
Secretary	Angela Clarkin
Trustee	Samuel A. Alderisio
Trustee	Peter Wendrychowicz
Trustee	William Grob
Mayor	William Laforet
Mayor's Alternate	John Spiech
Superintendent of Schools	Dr. Lauren Schoen
Director	George Kurt Hadelers
Supervising Librarian	Paul Shaver
Administrative Assistant	Darlene Mercadante

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
General Comments
December 31, 2016**

Effective April 17, 2000 and thereafter the bid threshold in accordance with N.J.S.A. 40A:11-3 (as amended) is \$17,500. On July 1, 2015 the bid threshold was increased to \$40,000 with a qualified purchasing agent.

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term ‘competitive contracting’, which is defined as “the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40.11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors’ formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received.”

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c. 440 to raise the bid threshold and require award by governing body resolution. “When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations.”

N.J.S.A. 40A:11-5 was amended with P.L. 1999, c. 440 to extend the base contract period. “Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months.”

The governing body of the Library has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Library Governing Body’s opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. No violations were disclosed.

Our examination of expenditures did not reveal any individual payments for contracts or agreements in excess of the statutory threshold “for the performance of any work or the furnishing or hiring of any materials or supplies,” other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.40A:11-6.

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
General Comments
December 31, 2016**

40:54-12.1 Purchases Not Requiring Advertisements for Bids

The Board of Trustees of the Library of any municipality or of a Joint Free Public Library may, within the limits of funds appropriated or otherwise made available to the Board, purchase the following without advertising for bids therefore: (1) library materials including books, periodicals, newspapers, documents, pamphlets, photographs, reproductions, microfilms, pictorial or graphic works, musical scores, maps, charts, globes, sound recordings, slides, films, filmstrips, video and magnetic tapes, other printed or published matter, and audiovisual and other materials of a similar nature; (2) necessary binding or rebinding of library materials; and (3) specialized library services.

EXPENDITURES

Vouchers, payrolls and other documents supporting claims paid in 2016 were examined on a test basis.

**Mahwah Public Library
County of Bergen, State of New Jersey
(A Component Unit of the Township of Mahwah)
Comments and Recommendations
December 31, 2016**

Current Year Comments and Recommendations

None.

Status of Prior Years Comments and Recommendations*

15-01 Recommendation:

Although 1099 forms are being issued, controls in place need to be modified in order to capture all eligible recipients.

Status:

Corrective action has been taken.