

**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, 2018 and 2017**

**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, 2018 and 2017**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1 - 3
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	4 - 5
Financial Statements:	
Comparative Balance Sheets – Regulatory Basis	6
Comparative Statement of Revenues, Expenditures and Changes in Net Assets – Regulatory Basis	7 - 8
Comparative Statement of Cash Receipts and Disbursements	9 - 10
Notes to Financial Statements	11 - 20
Supplementary Information:	
Schedule of Accounts Payable	21
Schedule of 2018 Budget Revenues	22
Schedule of 2018 Budget Expenditures	23
Board of Trustees	24
General Comments	25 - 26
Comments and Recommendations	27

## **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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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*

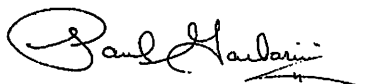
Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by 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*

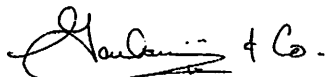
Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Library’s basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting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

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2019 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  
February 26, 2019

**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, 2018 and 2017, 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 February 26, 2019. 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

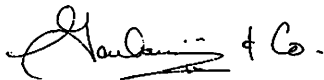
As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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  
February 26, 2019

**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, 2018 and 2017**

<b><u>ASSETS</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Cash and cash equivalents		
Operating Fund:		
Operating Account	\$ 11,005	\$ 29,106
Operating Reserve Account	311,741	292,040
Unemployment Account	48,820	93,983
Electronic Receipts Account	580	2,861
Payroll Account	1,000	5,029
Total Operating	<u>373,146</u>	<u>423,019</u>
Capital Fund:		
Private Contribution Account	5,430	5,430
Capital Reserve Account	435,916	378,005
Capital Account	1,015	2,632
Total Capital	<u>442,361</u>	<u>386,067</u>
Total cash and cash equivalents	815,507	809,086
Accounts receivable	231	-
<b>TOTAL ASSETS</b>	<b><u>\$ 815,738</u></b>	<b><u>\$ 809,086</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>		
Current Liabilities:		
Accounts Payable:		
Unassigned	\$ 7,726	\$ 3,604
Capital Fund	20,802	-
Unclaimed payroll	667	667
Fund Balances:		
Unrestricted:		
Assigned - Unemployment Reserve	48,820	93,983
Unassigned	316,163	324,765
Restricted:		
Capital Fund	<u>421,560</u>	<u>386,067</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 815,738</u></b>	<b><u>\$ 809,086</u></b>

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, 2018 and 2017**

	<u>Unrestricted</u>		<u>Restricted</u>	
	<u>Unassigned Operating Fund</u>	<u>Unemployment Reserve</u>	<u>Building &amp; Capital Improvements</u>	<u>Total 2018</u>
<b>2018 REVENUES</b>				
Township of Mahwah appropriations	\$ 2,023,825	\$ -	\$ -	\$ 2,023,825
State Aid	11,331			11,331
Fines	18,838			18,838
Contributions	4,632		1	4,633
Reciprocal borrowing	4,586			4,586
Copier/computer printout revenue	4,274			4,274
Room rentals	3,312			3,312
Interest on savings	1,019	226	930	2,175
Lost and damaged books	4,137			4,137
Miscellaneous revenue	1,050			1,050
Unemployment reserve	2,209			2,209
Interfund	85,221	39,832	100,000	225,053
Total Revenues	<u>2,164,434</u>	<u>40,058</u>	<u>100,931</u>	<u>2,305,423</u>
<b>2018 EXPENDITURES</b>				
Salaries and benefits	1,338,693			1,338,693
Library materials	253,824			253,824
Operating expenses	65,092			65,092
Professional fees	24,700		20,120	44,820
Supplies and stationary	37,401			37,401
Program expense	79,709			79,709
Computer expense	42,085			42,085
Furniture and equipment	11,595			11,595
Building maintenance	106,180			106,180
Utilities	73,925			73,925
Capital Improvements			45,318	45,318
Interfund	139,832	85,221		225,053
Total Expenditures	<u>2,173,036</u>	<u>85,221</u>	<u>65,438</u>	<u>2,323,695</u>
Excess/(deficit) of revenues over/(under) expenditures	(8,602)	(45,163)	35,493	(18,272)
Net Assets, January 1	<u>324,765</u>	<u>93,983</u>	<u>386,067</u>	<u>804,815</u>
Net Assets, December 31	<u>\$ 316,163</u>	<u>\$ 48,820</u>	<u>\$ 421,560</u>	<u>\$ 786,543</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, 2018 and 2017**

	<u>Unrestricted</u>		<u>Restricted</u>	
	<u>Unassigned Operating Fund</u>	<u>Unemployment Reserve</u>	<u>Building &amp; Capital Improvements</u>	<u>Total 2017</u>
<b>2017 REVENUES</b>				
Township of Mahwah appropriations	\$ 2,004,077	\$ -	\$ -	\$ 2,004,077
State Aid	11,237			11,237
Fines	19,392			19,392
Contributions	5,639			5,639
Reciprocal borrowing	8,409			8,409
Copier/computer printout revenue	4,520			4,520
Room rentals	2,427			2,427
Interest on savings	909	230	882	2,021
Lost and damaged books	3,900			3,900
Miscellaneous revenue	1,015			1,015
Interfund	(4,262)	4,262	150,000	150,000
Total Revenues	<u>2,057,263</u>	<u>4,492</u>	<u>150,882</u>	<u>2,212,637</u>
<b>2017 EXPENDITURES</b>				
Salaries and benefits	1,264,089			1,264,089
Library materials	226,131			226,131
Operating expenses	52,055		20	52,075
Professional fees	31,292			31,292
Supplies and stationary	38,001			38,001
Program expense	71,442			71,442
Computer expense	48,222			48,222
Furniture and equipment	12,241			12,241
Building maintenance	91,389			91,389
Utilities	69,896			69,896
Capital Improvements			273,547	273,547
Interfund	150,000			150,000
Total Expenditures	<u>2,054,758</u>	<u>-</u>	<u>273,567</u>	<u>2,328,325</u>
Excess/(deficit) of revenues over/(under) expenditures	2,505	4,492	(122,685)	(115,688)
Net Assets, January 1	<u>322,260</u>	<u>89,491</u>	<u>508,752</u>	<u>920,503</u>
Net Assets, December 31	<u>\$ 324,765</u>	<u>\$ 93,983</u>	<u>\$ 386,067</u>	<u>\$ 804,815</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, 2018 and 2017**

	<u>Operating Funds</u>	<u>Capital Funds</u>
Balance per books, January 1, 2018	\$ 423,019	\$ 386,067
Increased by Receipts:		
Township of Mahwah budget appropriation	2,023,825	
State aid	11,331	
Fines	18,664	
Contributions	4,632	
Reciprocal borrowing	4,586	
Copier/computer printout revenue	4,274	
Room rentals	3,312	
Interest on savings	1,245	930
Lost and damaged books	4,080	
Miscellaneous revenue	1,050	1
Interfund	125,053	100,000
	<u>2,202,052</u>	<u>100,931</u>
	<u>2,625,071</u>	<u>486,998</u>
Decreased by Disbursements:		
Expenditures	<u>2,251,925</u>	<u>44,637</u>
Balance per books, December 31, 2018	<u>\$ 373,146</u>	<u>\$ 442,361</u>

Analysis of cash balance at December 31, 2018

Balance per bank's statements of:

Boiling Springs Bank:		
Operating Account #0003243635	\$ 26,319	\$ -
Operating Reserve Account #0003672608	340,741	
Unemployment Account #0003964322	48,820	
Payroll Account #0003524849	1,000	
Electronic Receipts Account #0003129050	580	
Private Contributions Account #0003233135		5,430
Capital Account #0003623800		1,015
Capital Reserve Account #000368107		435,916
Balance per bank's statements	<u>417,460</u>	<u>442,361</u>
Add: Deposit in transit	29,000	-
(Less:) Outstanding checks	<u>(73,314)</u>	<u>-</u>
Balance, December 31, 2018	<u>\$ 373,146</u>	<u>\$ 442,361</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, 2018 and 2017**

	<u>Operating Funds</u>	<u>Capital Funds</u>
Balance per books, January 1, 2017	\$ 413,897	\$ 508,752
Increased by Receipts:		
Township of Mahwah budget appropriation	2,004,077	
State aid	11,237	
Fines	19,392	
Contributions	5,639	
Reciprocal borrowing	8,409	
Copier/computer printout revenue	4,520	
Interest on savings	1,139	882
Lost and damaged books	3,900	
Miscellaneous revenue	4,200	
Interfund		150,000
	<u>2,062,513</u>	<u>150,882</u>
	<u>2,476,410</u>	<u>659,634</u>
Decreased by Disbursements:		
Expenditures	<u>2,053,391</u>	<u>273,567</u>
Balance per books, December 31, 2017	<u>\$ 423,019</u>	<u>\$ 386,067</u>

Analysis of cash balance at December 31, 2017

Balance per bank's statements of:

Boiling Springs Bank:

Operating Account #0003243635	\$ 43,676	\$ -
Operating Reserve Account #0003672608	342,040	
Unemployment Account #0003964322	93,983	
Payroll Account #0003524849	5,029	
Electronic Receipts Account #0003129050	2,811	
Private Contributions Account #0003233135		27,626
Capital Account #0003623800		10,836
Capital Reserve Account #000368107		378,004
Balance per bank's statements	<u>487,539</u>	<u>416,466</u>
Add: Deposit in transit	50,128	
(Less:) Outstanding checks	<u>(114,648)</u>	<u>(30,399)</u>
Balance, December 31, 2017	<u>\$ 423,019</u>	<u>\$ 386,067</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, 2018 and 2017**

**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, 2018 and 2017**

**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, 2018 and 2017**

**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, 2018 and 2017**

**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, 2018 and 2017, \$0 of the Library's bank balance of \$859,821 and \$904,005, 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, 2018 and 2017.

**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 <http://www.nj.gov/treasury/pensions/financial-reports.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, 2018 and 2017**

**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 and requires contributions by active members and contributing members. 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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 55 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 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 \$891,913 for 2018, which consisted of \$108,049 from the Library. The employee contribution rate was 7.34% effective July 1, 2017 and increased to 7.50% effective July 1, 2018.

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, 2018 and 2017**

**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 1<sup>st</sup> 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, 2018 and June 30, 2017, the Township's liability was \$17,655,303 and \$21,599,218, respectively, for its proportionate share of the net pension liability for reporting purposes only. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Township's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2018 and 2017. At June 30, 2018, the Borough's proportion was 0.08967%, which was an decrease of 0.00312% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2017, the Township recognized actual pension expense in the amount of \$891,913.

**Actuarial Assumptions**

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Tables for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA.

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, 2018 and 2017**

**4. EMPLOYEE RETIREMENT PLANS (Continued)**

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

The actuarial assumptions used in the July 1, 2017 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.

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 % at June 30, 2018) 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real
		Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non- U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buy-outs/venture capital	8.25%	13.08%

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, 2018 and 2017**

**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 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 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 on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the collective net pension liability of the participating employers as of June 30, 2018 calculated using the discount rate as disclosed above as well as what the collective 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, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Township's proportionate share of the Net Pension Liability	\$ 17,478,750	\$ 17,655,303	\$ 17,831,856

**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, 2018 and 2017**

**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 \$5,968 and \$3,285 for the years ended December 31, 2018 and 2017, 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 \$158,857 and \$127,420 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017**

**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 2018, the Library paid out a total of \$3,054 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, 2018 is approximately \$47,999. 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 February 26, 2019, 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, 2018**

Balance, December 31, 2017	\$	3,604
Increased by Receipts:		
Charged to Budget Appropriations		<u>30,737</u>
		34,341
Decreased by:		
Cash Disbursements		<u>3,604</u>
Balance, December 31, 2018	\$	<u><u>30,737</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 2018 Budget Revenues**  
**December 31, 2018**

	<u>Budget Memo</u>	<u>Realized</u>	<u>Excess or (Unrealized)</u>
<b>REVENUES</b>			
Township of Mahwah budget appropriation	\$ 2,023,825	\$ 2,023,825	\$ -
State Aid	11,237	11,331	94
Fines	20,000	18,838	(1,162)
Contributions	5,000	4,633	(367)
Reciprocal borrowing	5,500	4,586	(914)
Copier/computer printout revenue	4,500	4,274	(226)
Room rentals	2,000	3,312	1,312
Interest on savings	1,000	2,175	1,175
Lost and damaged books	3,100	4,137	1,037
Unemployment reserve	1,000	2,209	1,209
Miscellaneous	100	1,050	950
Total Revenues	<u>\$ 2,077,262</u>	<u>\$ 2,080,370</u>	<u>\$ 3,108</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 2018 Budget Expenditures**  
**December 31, 2018**

	<u>Budget Memo</u>	<u>Paid or Charged</u>	<u>(Deficit) or Unexpended Balance</u>
<b>EXPENDITURES</b>			
Salaries and benefits	\$ 1,395,227	\$ 1,338,693	\$ 56,534
Library materials	258,500	253,824	4,676
Operating expenses	61,785	65,092	(3,307)
Professional fees	22,500	44,820	(22,320)
Supplies and stationary	37,000	37,401	(401)
Program expense	81,000	79,709	1,291
Computer expense	46,450	42,085	4,365
Furniture and equipment	11,500	11,595	(95)
Building maintenance	91,000	106,180	(15,180)
Utilities	72,300	73,925	(1,625)
Capital Improvements	-	45,318	(45,318)
	<u>-</u>	<u>45,318</u>	<u>(45,318)</u>
 Total Expenditures	 <u>\$ 2,077,262</u>	 <u>\$ 2,098,642</u>	 <u>\$ (21,380)</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, 2018**

President	Richard H. Wolf
Vice President	Curtis Koster
Treasurer	Richard Lee
Secretary	Sharon Javer
Trustee	Peter Wendrychowicz
Trustee	Angela Clarkin
Trustee	William Grob
Mayor	John Roth
Mayor's Alternate	<i>VACANT</i>
Superintendent of Schools	Dr. Lauren Schoen
Director	George Kurt Haderl
Supervising Librarian	Kara Gilbert
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, 2018**

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, 2016 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 or administrator; 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, 2018**

**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 2018 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, 2018**

**Current Year Comments and Recommendations**

**None.**

**Status of Prior Years Comments and Recommendations\***

**None.**