

**MOUNT LAUREL LIBRARY**  
**REPORT OF AUDIT**

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2016**

**MOUNT LAUREL LIBRARY**Exhibit No.Page No.**PART 1 – REPORT OF AUDIT OF THE FINANCIAL STATEMENTS**

Independent Auditor's Report	1
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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
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**FINANCIAL STATEMENTS**

A-1	All Fund Types and Account Groups--Combining Statement of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis	7
A-2	Governmental Funds--Combining Statement of Operations and Changes in Fund Balance--Regulatory Basis	8
A-3	General and State Aid Funds--Statements of Operations and Changes in Fund Balance--Regulatory Basis--Budget and Actual	9
A-4	Statement of General Fixed Asset Group of Accounts--Regulatory Basis	10
	Notes to Financial Statements	11

**GENERAL FUND DETAIL STATEMENTS**

B-1	Statement of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis	28
B-2	Statement of Revenues, Expenditures and Changes in Fund Balance--Regulatory Basis--Budget and Actual	29

**STATE AID FUND DETAIL STATEMENTS**

C-1	Statement of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis	N/A
C-2	Statement of Revenues, Expenditures--Regulatory Basis-- Budget and Actual	32

**CAPITAL RESERVE STATEMENTS**

D-1	Statement of Capital Reserve	34
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**TRUST FUND DETAIL STATEMENTS**

E-1	Statement of Reserve for Bequest/Grant Expenditures	36
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**PART 2 – SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

Schedule of Findings and Recommendations	38
Summary Schedule of Prior Year Audit Findings and Recommendations as Prepared by Management	40

OFFICIALS IN OFFICE	41
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APPRECIATION	42
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## **INDEPENDENT AUDITOR'S REPORT**

Library Director and  
Members of the Board of Trustees  
The Mount Laurel Library  
Mount Laurel, New Jersey 08054

### **Report on the Financial Statements**

We have audited the accompanying combining statement of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Mount Laurel Library, a component unit of the Township of Mount Laurel, County of Burlington, State of New Jersey, as of December 31, 2016, and the related combining statement of operations and changes in fund balance - regulatory basis for the year then ended, and the related statements of operations and changes in fund balance- regulatory basis – budget and actual and the statement of general fixed assets group of accounts – regulatory basis for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

### *Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*

As described in note 1 to the financial statements, the financial statements are prepared by the Library on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, 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.

The effects on the financial statements of the variances between the regulatory basis of accounting described in note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### *Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*

In our opinion, because of the significance of the matter discussed in the “*Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Mount Laurel Library, a component unit of the Township of Mount Laurel, in the County of Burlington, State of New Jersey, as of December 31, 2016, or the results of its operations and changes in fund balance for the year then ended.

### *Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statements referred to previously present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Mount Laurel Library, a component unit of the Township of Mount Laurel, in the County of Burlington, State of New Jersey, as of December 31, 2016, and the results of its operations and changes in fund balance - regulatory basis of such funds for the year then ended, and the related statement of operations and changes in fund balance - regulatory basis – budget and actual, and general fixed asset group of accounts - regulatory basis, for the year ended December 31, 2016, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in note 1.

## Other Matters

### *Other Information*

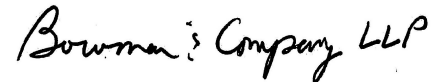
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library’s basic financial statements. The supplemental statements and schedules presented for the various funds, as listed in the table of contents, are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements.

The supplemental statements presented for the various funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental statements and schedules described in the previous paragraph are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2017 on our consideration of the Mount Laurel Library's, a component unit of the Township of Mount Laurel, in the County of Burlington, State of New Jersey, 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 Mount Laurel Library's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Robert. S. Marrone  
Certified Public Accountant  
Registered Municipal Accountant

Voorhees, New Jersey  
May 12, 2017

**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**

Library Director and  
Members of the Board of Trustees  
The Mount Laurel Library  
Mount Laurel, New Jersey 08054

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, of the Mount Laurel Library, a component unit of the Township of Mount Laurel, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated May 12, 2017. That report indicated that the Library's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America, but were prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 by 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 deficiencies in internal control that might be material weaknesses 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. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Recommendations*, that we consider to be significant deficiencies: 2016-001 and 2016-002.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free from 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 as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

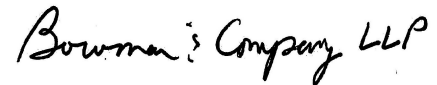
**The Mount Laurel Library's Response to Findings**

The Library's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Recommendations*. The Library's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 entity'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 of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Certified Public Accountant  
Registered Municipal Accountant

Voorhees, New Jersey  
May 12, 2017

## **FINANCIAL STATEMENTS**



**MOUNT LAUREL LIBRARY**  
**ALL FUND TYPES AND ACCOUNT GROUP**  
 Combining Statement of Assets, Liabilities, Reserves, and Fund Balance - Regulatory Basis  
 As of December 31, 2016

ASSETS	Governmental Funds			Total Governmental Funds	Trust Fund	Fixed Asset Account Group	Total
	General Fund	State Aid Fund	Capital Reserve				
Cash	\$ 697,775.41		\$ 334,915.24	\$ 1,032,690.65	\$ 80,369.39		\$ 1,113,060.04
Change Fund	200.00			200.00			200.00
	697,975.41	-	334,915.24	1,032,890.65	80,369.39	-	1,113,260.04
Fixed Assets						\$ 229,050.60	229,050.60
	\$ 697,975.41	\$ -	\$ 334,915.24	\$ 1,032,890.65	\$ 80,369.39	\$ 229,050.60	\$ 1,342,310.64
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>							
Liabilities:							
Reserve for Encumbrances	\$ 64,771.20		\$ 108,160.37	\$ 172,931.57	\$ 587.99		\$ 173,519.56
Accounts Payable - Due Mt. Laurel Township	98,714.97			98,714.97			98,714.97
Payroll Deductions Payable	4,591.81			4,591.81			4,591.81
Total Liabilities	168,077.98	-	108,160.37	276,238.35	587.99	-	276,826.34
Investment in Fixed Assets							
Fund Balance:						\$ 229,050.60	229,050.60
Reserved for:							
Capital Projects			226,754.87	226,754.87	79,781.40		226,754.87
Bequest/Grant Expenditures							79,781.40
Unreserved	529,897.43			529,897.43			529,897.43
Total Fund Balance	529,897.43	-	226,754.87	756,652.30	79,781.40	-	836,433.70
	\$ 697,975.41	\$ -	\$ 334,915.24	\$ 1,032,890.65	\$ 80,369.39	\$ 229,050.60	\$ 1,342,310.64

The accompanying Notes to Financial Statements are an integral part of this statement.

**MOUNT LAUREL LIBRARY**  
**GOVERNMENTAL FUNDS**  
Combining Statement of Operations and Changes in Fund Balance - Regulatory Basis  
For the Year Ended December 31, 2016

	General Fund	State Aid Fund	Capital Reserve	Total
Budget Revenues	\$ 2,208,174.56	\$ 18,214.00	-	\$ 2,226,388.56
Budget Expenditures:				
Salaries and Benefits	1,033,517.10			1,033,517.10
Library Materials	291,317.51	18,214.00		309,531.51
Building Operation	125,836.86			125,836.86
General Operation	197,833.04			197,833.04
Programs	7,512.93			7,512.93
Capital Reserve	309,052.00		\$ 883,209.56	1,192,261.56
Total Budget Expenditures	1,965,069.44	18,214.00	883,209.56	2,866,493.00
Excess (Deficiency) of Budget Revenues Over (Under) Budget Expenditures	243,105.12	-	(883,209.56)	(640,104.44)
Other Credits and Transfers:				
Cancellation of Prior Year Accounts Payable	7,600.95			7,600.95
Transfer from General Appropriations			309,052.00	309,052.00
Transfer from Unreserved Fund Balance			171,500.00	171,500.00
Transfer to Capital Reserve	(171,500.00)			(171,500.00)
Total Other Credits and Transfers	(163,899.05)	-	480,552.00	316,652.95
Excess (Deficiency) of Revenues Over (Under) Expenditures	79,206.07	-	(402,657.56)	(323,451.49)
Fund Balance, Beginning	450,691.36		629,412.43	1,080,103.79
Fund Balance, Ending	\$ 529,897.43	\$ -	\$ 226,754.87	\$ 756,652.30

The accompanying Notes to Financial Statements are an integral part of this statement.

**MOUNT LAUREL LIBRARY**  
**GENERAL AND STATE AID FUNDS**  
 Statements of Operations and Changes in Fund Balance  
 Regulatory Basis - Budget and Actual  
 For the Year Ended December 31, 2016

	General Fund			State Aid Fund		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Budget Revenues	\$ 2,209,924.00	\$ 2,208,174.56	\$ (1,749.44)	\$ 18,196.00	\$ 18,214.00	\$ 18.00
Budget Expenditures:						
Salaries and Benefits	1,154,337.00	1,033,517.10	120,819.90			
Library Materials	335,554.00	291,317.51	44,236.49	18,196.00	18,214.00	(18.00)
Building Operation	171,500.00	125,836.86	45,663.14			
General Operation Programs	540,533.00	506,885.04	33,647.96			
	8,000.00	7,512.93	487.07			
Total Budget Expenditures	2,209,924.00	1,965,069.44	244,854.56	18,196.00	18,214.00	(18.00)
Excess (Deficiency) of Budget Revenues Under Budget Expenditures	-	243,105.12	243,105.12	-	-	-
Other Credits and Transfers:						
Cancellation of Prior Year Accounts Payable		7,600.95	7,600.95			
Transfer of Unreserved Fund Balance to Capital Reserve		(171,500.00)	(171,500.00)			
Total Other Credits and Transfers	-	(163,899.05)	(163,899.05)	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ 79,206.07	\$ 79,206.07	\$ -	\$ -	\$ -
Fund Balance, Beginning		450,691.36				
Fund Balance, Ending		\$ 529,897.43			\$ -	

The accompanying Notes to Financial Statements are an integral part of this statement.

**MOUNT LAUREL LIBRARY**  
**GENERAL FIXED ASSET ACCOUNT GROUP**  
Statement of General Fixed Asset Group of Accounts - Regulatory Basis  
For the Year Ended December 31, 2016

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	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Additions</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
General Fixed Assets:			
Furniture	\$ 12,198.00		\$ 12,198.00
Equipment	<u>148,252.60</u>	<u>\$ 68,600.00</u>	<u>216,852.60</u>
	<u>\$ 160,450.60</u>	<u>\$ 68,600.00</u>	<u>\$ 229,050.60</u>
Investment in General Fixed Assets	<u>\$ 160,450.60</u>	<u>\$ 68,600.00</u>	<u>\$ 229,050.60</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**MOUNT LAUREL LIBRARY**  
Notes to Financial Statements  
For the Year Ended December 31, 2016

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Financial Reporting Entity** - The Mount Laurel Library (the "Library") of the Township of Mount Laurel is governed by a nine member Board of Trustees, including a representative from Township Council of the Township of Mount Laurel and a representative from the school board of the Mount Laurel Township School District ("the Superintendent of Schools or designee"). All Board members with the exception of the Township and the Superintendent of Schools representatives, are appointed to a five year term by the Township Council. Annually, the Board elects four of its own members to serve as President, Vice President, Secretary and Treasurer. The daily activities of the Library are overseen by the Library Director who is approved by the Board of Trustees. In 1994 the Library applied for and received tax exempt status as a 501 (c) (3) organization as Mount Laurel Library Association, Inc.

**Component Units** - The financial statements of the Library, a component unit of the Township of Mount Laurel, are not presented in accordance with Governmental Accounting Standards Board GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. If the provisions of GASBS No. 14, as amended by GASBS No. 39 and GASBS No. 61, had been complied with, the financial statements of the Library would have been either blended or discretely presented with the financial statements of the Township, the primary government. The Library had no component units as defined by Governmental Accounting Standards Board Statement No. 14, as amended by GASB Statements No. 39 and No. 61.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** - The financial statements of the Library contain all funds and account groups in accordance with the *Requirements of Audit* ("*Requirements*") as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the *Requirements* are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these *Requirements*. In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this note.

In accordance with the *Requirements*, the Library accounts for its financial transactions through the use of separate funds which are described as follows:

**General Fund** - The General Fund accounts for resources and expenditures for library operations of a general nature.

**Capital Reserve Fund** - The Capital Reserve Fund accounts for all approved capital improvements undertaken by the Library.

**State Aid Fund** - The State Aid Fund accounts for grant awards and related expenditures for grant funds received from the State of New Jersey and other governmental agencies.

**Trust Fund** - The Trust Fund accounts for local grants/bequests and donations received from the Friends of the Mount Laurel Library, a separate autonomous not for profit corporation.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

**General Fixed Asset Group of Accounts** - The general fixed asset group of accounts is utilized to account for property, land, buildings, and equipment that have been acquired by the Library.

**Budgets and Budgetary Accounting** - While there is no statutory requirement to do so, the Library adopts an annual budget prior to the start of each year in accordance with sound financial management practices. Whenever necessary, the Library may amend the budget by resolution.

Amounts reported under "final budget" in Exhibit A-3, and in the detail statements, include modifications to the adopted budget that were made during the year. Budgets are adopted on the same basis of accounting utilized for the preparation of the Library's financial statements.

**Cash, Cash Equivalents and Investments** - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost; therefore, unrealized gains or losses on investments have not been recorded.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

The cash management plan adopted by the Library requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

**Interfunds** - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed.

**Inventories of Supplies** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various statements of assets, liabilities, reserves and fund balance.

**General Fixed Assets** - Accounting for governmental fixed assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities and libraries, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and *Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Part 200, §200.12), except that the useful life of such property is at least five years.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**General Fixed Assets (Cont'd)** - The Library has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid.

Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The Library is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed asset group of accounts, reflecting the activity for the year, must be included in the Library's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that include accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

Assets owned by the Township are not accounted for by the Library unless improvements are made by the Library.

**Fund Balance** - The Library reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Library is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Library's classifications, and policies for determining such classifications, are as follows:

**Reserve for Capital Projects** – The reserve for capital projects in the capital reserve fund includes amounts that are constrained by the Library's intent to be used for specific purposes. Intent is expressed by either the Board of Trustees or by the Director, to which the Board of Trustees has delegated the authority to reserve amounts to be used for specific purposes.

**Reserve for Bequests/Grant Expenditures** – The reserve for bequests/grant expenditures includes amounts received from contributors that are not spent in the current year, however, are available to be spent on intended purposes specified by the contributor.

**Unreserved** – Unreserved fund balance included in the General Fund represent amounts available for anticipation as revenue in future year's budgets, with certain restrictions. This classification represents fund balance that has not been assigned to other funds, and that has not been reserved for specific purposes within the general fund.

**Revenues** - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units.

**Grants** - The Library records income from grants in the period designated by the grantor.

**Township Library Taxes** - The Library receives an allotment from the Township of Mount Laurel which is mandated by state statute. At a minimum, the Library appropriation is the lesser of one third of a million per dollar of the prior year equalized valuation or 115% of the appropriation expended by the Library in the prior year. However, there is no maximum set by statute. The Library's appropriation is received in monthly installments. The statutory amount provided to the Library is raised by a dedicated line item on the property tax bill.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Expenditures** - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

**Appropriation Reserves** - Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments, or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as income. The Library's policy is to cancel remaining appropriations to fund balance at the end of the year.

**Compensated Absences and Postemployment Benefits** - Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for postemployment benefits, if any, which are also funded on a pay-as-you-go basis.

**Inventory** - Inventory consisting of books, periodicals and audiovisual materials are recorded as expenditures at the date of the purchase. The following is an estimate prepared by management of the replacement cost of various materials:

Books	\$ 2,078,066.81
Audio, Visual and Electronic Materials	972,262.00
Periodicals	<u>24,945.00</u>
	<u><u>\$ 3,075,273.81</u></u>

**Note 2: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits might not be recovered. Although the Library does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, or funds that may pass to the Library relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of December 31, 2016, none of the Library's bank balances of \$1,277,745.98 were uninsured or uncollateralized.



**Note 3: FUND BALANCES APPROPRIATED**

The following schedule details the amount of general fund balance available at the end of the current year and four previous years and the amount utilized in the subsequent years' budgets:

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
2016	\$ 529,897.43	None
2015	450,691.36	None
2014	387,646.56	None
2013	419,220.23	None
2012	697,183.07	None

**Note 4: PENSION PLANS**

A substantial number of the Library's employees participate in the following defined benefit pension plans: the Public Employees' Retirement System ("PERS"), which is administered by the New Jersey Division of Pensions and Benefits. In addition, several Library employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295  
<http://www.nj.gov/treasury/pensions>

**General Information about the Pension Plans****Plan Descriptions**

**Public Employees' Retirement System** - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Library, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

**Note 4: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Plan Descriptions (Cont'd)**

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

**Vesting and Benefit Provisions**

**Public Employees' Retirement System** - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the 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 21, 2010
- 4 Members who were eligible to enroll after May 21, 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 tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, 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.

**Note 4: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Contributions**

**Public Employees' Retirement System** - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Library's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The Library's contractually required contribution rate for the year ended December 31, 2016 was 16.83% of the Library's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the Library's contractually required contribution to the pension plan for the year ended December 31, 2016 is \$97,136.00, and is payable by April 1, 2017. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PERS measurement date of June 30, 2015, the Library's contractually required contribution to the pension plan for the year ended December 31, 2015 was \$97,288.00, which was paid on April 1, 2016. Employee contributions to the plan during the year ended December 31, 2016 were \$45,270.43.

**Defined Contribution Retirement Program** - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Library contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the year ended December 31, 2016, employee contributions totaled \$1,451.54, and the Library's contributions were \$791.75. There were no forfeitures during the year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Public Employees' Retirement System** - At December 31, 2016, the Library's proportionate share of the PERS net pension liability was \$3,238,324.00. 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. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The Library's proportion of the net pension liability was based on a projection of the Library's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the Library's proportion was 0.0109339545%, which was a decrease of 0.0003821417% from its proportion measured as of June 30, 2015.

**Note 4: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Public Employees' Retirement System (Cont'd)** - At December 31, 2016, the Library's proportionate share of the PERS pension expense, calculated by the plan as of the June 30, 2016 measurement date is \$305,091.00. This expense is not recognized by the Library because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2016, the Library's contribution to PERS was \$97,288.00, and was paid on April 1, 2016.

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At December 31, 2016, the Library had deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ 60,223.00	\$ -
Changes of Assumptions	670,808.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	123,480.00	-
Changes in Proportion and Differences between Library Contributions and Proportionate Share of Contributions	70,444.00	102,934.00
Library Contributions Subsequent to the Measurement Date	48,568.00	-
	<u>\$ 973,523.00</u>	<u>\$ 102,934.00</u>

\$48,568.00 for PERS included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2017. This amount was based on an estimated April 1, 2018 contractually required contribution, prorated from the pension plans measurement date of June 30, 2016 to the Library's year end of December 31, 2016.

Note 4: **PENSION PLANS (CONT'D)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - The Library will amortize the above other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between Library Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

**Note 4: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<b>Year Ending Dec 31,</b>		
2017	\$	188,307.00
2018		188,307.00
2019		218,807.00
2020		174,767.00
2021		51,833.00
		\$ 822,021.00
		\$ 822,021.00

**Actuarial Assumptions**

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. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	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%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014

**Note 4: PENSION PLANS (CONT'D)****Actuarial Assumptions (Cont'd)**

For PERS, pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. 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. Post-retirement 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. In addition, the tables for service retirements and beneficiaries of former members 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. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The long-term expected rate of return on 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 method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%
	<u>100.00%</u>	

**Note 4: PENSION PLANS (CONT'D)**

**Actuarial Assumptions (Cont'd)**

**Discount Rate** - The discount rate used to measure the total pension liability at June 30, 2016 was 3.98% for PERS. The respective single blended discount rates were 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 rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% 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 2034 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

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

**Public Employees' Retirement System (PERS)** - The following presents the Library's proportionate share of the net pension liability at June 30, 2016, the plans measurement date, calculated using a discount rate of 3.98%, as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
Library's Proportionate Share of the Net Pension Liability	<u>\$ 3,968,188.00</u>	<u>\$ 3,238,324.00</u>	<u>\$ 2,635,758.00</u>

**Pension Plan Fiduciary Net Position**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions).

**Supplementary Pension Information**

In accordance with GASB 68, the following information is also presented for the PERS Pension Plan. These schedules are presented to illustrate the requirements to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.



**Note 4: PENSION PLANS (CONT'D)****Supplementary Pension Information (Cont'd)*****Schedule of the Library's Proportionate Share of the Net Pension Liability - Public Employees' Retirement System (PERS) (Last Four Years)***

	<u>Measurement Date Ended June 30,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Library's Proportion of the Net Pension Liability	0.0109339545%	0.0113160961%	0.0116408628%	0.0109508387%
Library's Proportionate Share of the Net Pension Liability	\$ 3,238,324.00	\$ 2,540,237.00	\$ 2,179,488.00	\$ 2,092,923.00
Library's Covered Payroll (Plan Measurement Period)	\$ 733,012.00	\$ 903,848.00	\$ 917,764.00	\$ 931,064.00
Library's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	441.78%	281.05%	237.48%	224.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

***Schedule of the Library's Contributions - Public Employees' Retirement System (PERS) (Last Four Years)***

	<u>Year Ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Library's Contractually Required Contribution	\$ 97,136.00	\$ 97,288.00	\$ 95,966.00	\$ 82,512.00
Library's Contribution in Relation to the Contractually Required Contribution	(97,136.00)	(97,288.00)	(95,966.00)	(82,512.00)
Library's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Library's Covered Payroll (Calendar Year)	\$ 577,298.00	\$ 691,657.00	\$ 839,915.00	\$ 899,163.00
Library's Contributions as a Percentage of its Covered Payroll	16.83%	14.07%	11.43%	9.18%

**Other Notes to Supplementary Pension Information*****Public Employees' Retirement System (PERS)***

Changes in Benefit Terms - None

Changes in Assumptions - For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

**Note 5: ECONOMIC DEPENDENCY**

The Library receives a substantial amount of its support from the Township of Mount Laurel through a Municipal Library Tax Levy as required by state statutes for a municipal library funded by a municipality. A significant reduction in the level of this revenue, if this were to occur, may have an effect on the Library's programs and activities. During the 2016 year, the Township's Library tax equaled approximately 94.56% of the Library's total revenues.

**Note 6: COMPENSATED ABSENCES**

Full time Library employees are entitled to up to fifteen paid sick leave days each year. Part time Library employees are entitled to pro-rated sick leave based on hours worked. Unused sick leave may be accumulated and carried forward until termination and/or retirement.

Full time Library employees earn from twelve to twenty two vacation days, based on tenure. Part time employees receive vacation leave on a pro-rated basis. Unused vacation days may be accumulated and carried forward up to a maximum of two weeks.

The Library does not compensate employees for unused sick leave benefits upon retirement, however full and part time employees are entitled to unused vacation days. The Library does not record accrued expenses related to compensated absences.

**Note 7: CAPITAL RESERVE**

The Library maintains a portion of their Reserved Fund Balance for capital improvements. The following schedule details the amount of capital reserve at the end of the current year and four previous years:

<u>Year</u>	<u>Balance</u> <u>December 31,</u>
2016	\$ 226,754.87
2015	629,412.43
2014	420,804.59
2013	629,916.57
2012	296,743.37

The Library's policy is to utilize the balance remaining at the end of the current year in addition to an annual appropriation from the general fund budget to make improvements to the Library.

**Note 8: DEFERRED COMPENSATION SALARY ACCOUNT**

The Library offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457, which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Library or its creditors. Since the Library does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Library's financial statements.

**Note 9: LEASE OBLIGATIONS**

At December 31, 2016, the Library had lease agreements in effect for the following:

Operating:  
Four (4) Ricoh Copiers

Future minimum lease payments under operating lease agreements are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 2,841.71
2018	558.00

Rental payments under operating leases for the year 2016 were \$4,074.36.

**Note 10: RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. General liability insurance, business auto insurance, worker's compensation and certain public official bonds are provided by commercial insurance purchased by the Township of Mount Laurel with the Burlington County Joint Insurance Fund. Employee health insurance is also provided by and purchased through the Township of Mount Laurel.

**Joint Insurance Pool** - The Township of Mount Laurel is a member of the Burlington County Municipal Joint Insurance Fund. The Library, as a component unit of the Township of Mount Laurel is insured through the same Fund. The Fund provides its members with the following coverage:

Workers' Compensation including Employer's Liability  
General Liability including Police Professional and Employee Benefit Liability  
Automobile Liability  
Blanket Crime including Public Employee Dishonesty  
Property Including Boiler and Machinery  
Public Officials and Employment Practices Liability  
Volunteer Directors and Officers Liability  
Cyber Liability

The following coverages are provided to the Fund's member local units by their membership in the Municipal Excess Liability Joint Insurance Fund (MEL):

Excess Workers' Compensation  
Excess General Liability  
Non-Owned Aircraft Liability  
Excess Auto Liability  
Fidelity and Performance (Blanket)  
Excess Property including Boiler and Machinery  
Crime including Excess Public Employee and Public Official Coverage

Environmental Impairment Liability coverage is provided to the Fund's member local units by the Fund's membership in the New Jersey Municipal Environmental Risk Management Fund.

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary.

**Note 10: RISK MANAGEMENT (CONT'D)**

**Joint Insurance Pool (Cont'd)** - The Commissioner of Banking and Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment of the Fund's obligations. The Township's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through the Municipal Excess Liability Joint Insurance Fund, which is an insurance pool formed by all the other joint insurance funds.

For more information regarding claims, coverages and deductibles, the Fund publishes its own financial report for the year ended December 31, 2016, which can be obtained from:

Burlington County Municipal Joint Insurance Fund  
P.O. Box 489  
Marlton, New Jersey 08053

**Note 11: CONTINGENCIES**

**Litigation** - The Library is not currently in any litigation however, any threatened and/or pending litigation would be covered by insurance coverage.

**GENERAL FUND DETAIL STATEMENTS**

**MOUNT LAUREL LIBRARY**  
**GENERAL FUND**

Statement of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis  
As of December 31, 2016

	<u>2016</u>
<u>ASSETS</u>	
Cash	\$ 697,775.41
Change Fund	<u>200.00</u>
	<u>\$ 697,975.41</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>	
Liabilities:	
Accounts Payable	\$ 64,771.20
Accounts Payable - Due to Township of Mt. Laurel	98,714.97
Payroll Deductions Payable	<u>4,591.81</u>
Total Liabilities	<u>168,077.98</u>
Fund Balance:	
Unreserved	<u>529,897.43</u>
Total Fund Balance	<u>529,897.43</u>
	<u>\$ 697,975.41</u>

**MOUNT LAUREL LIBRARY**  
**GENERAL FUND**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Regulatory Basis - Budget and Actual  
For the Year Ended December 31, 2016

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Budget Revenues:</b>			
Township of Mt. Laurel Municipal Appropriation	\$ 2,105,384.00	\$ 2,105,383.72	\$ (0.28)
Library Income	102,040.00	93,094.75	(8,945.25)
Interest	2,500.00	2,926.20	426.20
Miscellaneous	6,769.89	6,769.89	6,769.89
<b>Total Budget Revenues</b>	<b>2,209,924.00</b>	<b>2,208,174.56</b>	<b>(1,749.44)</b>
<b>Budget Expenditures:</b>			
<b>Salaries and Benefits:</b>			
Salaries	811,171.00	726,978.54	84,192.46
Payroll Taxes	71,512.00	65,061.75	6,450.25
Employee Benefits	135,140.00	117,098.78	18,041.22
Pension	122,514.00	113,118.24	9,395.76
Staff Development	6,500.00	3,759.79	2,740.21
Workers Compensation Insurance	7,500.00	7,500.00	7,500.00
<b>Total Salaries and Benefits</b>	<b>1,154,337.00</b>	<b>1,033,517.10</b>	<b>120,819.90</b>
<b>Library Materials:</b>			
Books and Bindery	113,554.00	96,321.69	17,232.31
Periodical Subscriptions	11,500.00	11,365.43	134.57
Audio Visual Materials	162,500.00	154,701.40	7,798.60
Book Processing Supplies	48,000.00	28,928.99	19,071.01
<b>Total Library Materials</b>	<b>335,554.00</b>	<b>291,317.51</b>	<b>44,236.49</b>
<b>Building Operation:</b>			
Equipment Maintenance	23,500.00	8,189.48	15,310.52
Building Maintenance	40,000.00	37,156.59	2,843.41
Water and Sewer	9,000.00	6,773.72	2,226.28
Gas and Electric	85,000.00	63,304.83	21,695.17
Housekeeping Supplies	14,000.00	10,412.24	3,587.76
<b>Total Building Operation</b>	<b>171,500.00</b>	<b>125,836.86</b>	<b>45,663.14</b>

(Continued)

**MOUNT LAUREL LIBRARY**  
**GENERAL FUND**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Regulatory Basis - Budget and Actual  
For the Year Ended December 31, 2016

	Final Budget	Actual	Variance Favorable (Unfavorable)
General Operation:			
Telecommunications Cost	\$ 22,272.00	\$ 21,445.67	\$ 826.33
Computer Expense and Maintenance	69,100.00	68,685.85	414.15
Insurance	34,594.00	34,594.00	
Promotional Materials	7,500.00	5,858.07	1,641.93
Professional Fees	55,000.00	33,560.23	21,439.77
Furniture and Equipment	11,700.00	11,673.11	26.89
Supplies	23,815.00	17,343.25	6,471.75
Postage	4,000.00	3,710.31	289.69
Miscellaneous	3,500.00	962.55	2,537.45
Capital Reserve	309,052.00	309,052.00	
Total General Operation	<u>540,533.00</u>	<u>506,885.04</u>	<u>33,647.96</u>
Programs	<u>8,000.00</u>	<u>7,512.93</u>	<u>487.07</u>
Total Budget Expenditures	<u>2,209,924.00</u>	<u>1,965,069.44</u>	<u>244,854.56</u>
Excess (Deficiency) of Budget Revenues Over (Under) Budget Expenditures	<u>-</u>	<u>243,105.12</u>	<u>243,105.12</u>
Other Credits and Transfers:			
Transfer of Unreserved Fund Balance to Capital Reserve		(171,500.00)	171,500.00
Cancellation of Prior Year Accounts Payable		7,600.95	(7,600.95)
Total Other Credits and Transfers	<u>-</u>	<u>(163,899.05)</u>	<u>163,899.05</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>79,206.07</u>	<u>\$ 407,004.17</u>
Fund Balance, Beginning		<u>450,691.36</u>	
Fund Balance, Ending		<u>\$ 529,897.43</u>	



**STATE AID FUND DETAIL STATEMENTS**

**MOUNT LAUREL LIBRARY**  
STATE AID FUND  
Statement of Revenues and Expenditures  
Regulatory Basis - Budget and Actual  
For the Year Ended December 31, 2016

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	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Budget Revenues:			
Per Capita Aid	<u>\$ 18,196.00</u>	<u>\$ 18,214.00</u>	<u>\$ 18.00</u>
Total Budget Revenues	<u>18,196.00</u>	<u>18,214.00</u>	<u>18.00</u>
Budget Expenditures:			
Library Materials - Books	<u>18,196.00</u>	<u>18,214.00</u>	<u>(18.00)</u>
Total Budget Expenditures	<u>18,196.00</u>	<u>18,214.00</u>	<u>(18.00)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

## **CAPITAL RESERVE STATEMENTS**

**MOUNT LAUREL LIBRARY**  
**CAPITAL RESERVE FUND**  
Statement of Capital Reserve  
For the Year Ended December 31, 2016

Balance Dec. 31, 2015		\$	629,412.43
Increased by:			
Transfer from General Appropriations	\$	309,052.00	
Unreserved Fund Balance Appropriated to Capital Reserve		171,500.00	
			480,552.00
			1,109,964.43
Decreased by:			
Expenditures:			
Server Computer Replacement		5,661.19	
Fire Alarm System Upgrades		31,250.00	
Bathroom Upgrades		16,368.57	
Carpet Replacement		155,098.28	
Interior Painting		19,600.00	
Air Conditioning Repairs and Replacement		15,758.75	
Roof Repairs and Replacement		639,472.77	
			883,209.56
Balance Dec. 31, 2016		\$	226,754.87

## **TRUST FUND DETAIL STATEMENTS**

**MOUNT LAUREL LIBRARY**  
**TRUST FUND**  
Statement of Reserve for Bequest/Grant Expenditures  
For the Year Ended December 31, 2016

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Balance Dec. 31, 2015		\$ 78,281.31
Revenues:		
Donations	\$ 1,126.98	
Friends of the Library Contributions	<u>64,880.00</u>	
		<u>66,006.98</u>
		144,288.29
Expenditures:		
Friends of the Library Expenditures		<u>64,506.89</u>
Balance Dec. 31, 2016		<u><u>\$ 79,781.40</u></u>

**PART II**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**MOUNT LAUREL LIBRARY**  
Schedule of Findings and Recommendations  
For the Year Ended December 31, 2016

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***Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Finding No. 2016-001**

**Criteria or Specific Requirement**

As a function of effective internal controls, an accurate general ledger should be maintained and reconciled to subsidiary records on a timely basis to ensure adequate control over the preparation of financial statements.

**Condition**

The general ledger did not reconcile to subsidiary records as of December 31, 2016.

**Context**

Significant adjusting journal entries were required to adequately reflect the financial condition of the Library and to reconcile to subsidiary records.

**Effect**

The unadjusted general ledger could not be relied upon and if used, the financial condition of the Library would have been misrepresented. However, the Library maintained adequate records for cash, revenues and expenditures that were utilized to prepare adjusting journal entries to the general ledger.

**Cause**

The Library implemented new accounting software during the year under audit and the transition of the general ledger from the previous system was not fully complete by December 31.

**Recommendation**

That the Library reviews and implements internal controls to ensure the general ledger is properly and timely reconciled.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.



**MOUNT LAUREL LIBRARY**  
Schedule of Findings and Recommendations  
For the Year Ended December 31, 2016

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***Schedule of Financial Statement Findings (Cont'd)***

**Finding No. 2016-002**

**Criteria or Specific Requirement**

Internal controls with respect to payroll should be designed for effectiveness and efficiency. The payroll process should follow statutory guidelines and Library policies established.

**Condition**

The Library did not process certain payroll deductions in accordance with established guidelines.

**Context**

The following items were noted during tests of payroll disbursements and reporting:

1. Employee health benefit contributions were not properly calculated for three of the four employees tested.
2. Pension deductions were not calculated using gross (pre-tax) wages for five of six employees tested.

**Effect**

Employees did not receive proper payroll deductions and the Library was not reimbursed the correct amount that was required from employees that contributed to health care costs.

**Cause**

The Library's payroll is processed through a separate system than the Township, and was not configured to properly calculate the deductions.

**Recommendation**

That the Library review procedures with respect to the payroll process and adhere to established guidelines.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**MOUNT LAUREL LIBRARY**  
Summary Schedule of Prior Year Audit Findings  
and Recommendations as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**FINANCIAL STATEMENT FINDINGS**

**Finding No. 2015-001**

**Condition**

The general ledger did not reconcile to subsidiary records as of December 31, 2015.

**Current Status**

The condition continues to exist, see Finding No. 2016-001.

**MOUNT LAUREL LIBRARY**  
Officials in Office

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The following officials were in office during the period under audit:

<b><u>Name</u></b>	<b><u>Title</u></b>
Dennis Marks	President of the Board of Trustees
Noreen Duffey	Vice President of the Board of Trustees
Karen Cohen	Treasurer of the Board of Trustees
Carol Bell	Secretary of the Board of Trustees
Dennis Riley	Township Council Representative
Diane Blair	Superintendent of Schools Representative
Marie Kromplewski	Member of the Board of Trustees
Kimberly Plasket	Member of the Board of Trustees
Deborah Rexon	Member of the Board of Trustees
Becky Boydston	Library Director

16350

**APPRECIATION**

I express my appreciation for the assistance and courtesies rendered by the Library officials during the course of the audit.

Respectfully submitted,

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

A handwritten signature in black ink that reads "Robert S. Marrone". The signature is written in a cursive style with a large initial 'R'.

Robert S. Marrone  
Certified Public Accountant  
Registered Municipal Accountant

