

*Report of Audit*

*on the*

*Financial Statements  
and Supplementary Schedules*

*of the*

*Town of Phillipsburg  
Free Public Library*

*for the*

*Year Ended  
December 31, 2017*



TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

I N D E X

	<u>PAGE NUMBER</u>
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

EXHIBITS

Current Fund:

"A"	Balance Sheets - Regulatory Basis as of December 31, 2017	6
"A-1"	Statements of Operations and Change in Fund Balance - Regulatory Basis for the Years Ended December 31, 2017	7
"A-2"	Statement of Expenditures - Regulatory Basis for the Year Ended December 31, 2017	8
Notes to Financial Statements - December 31, 2017		9-17

SCHEDULES

"A-3"	Schedule of Cash Receipts and Disbursements for the Year Ended December 31, 2017	18
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# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

Town of Phillipsburg Free Public Library  
200 Broubalow Way  
Phillipsburg, New Jersey 08865

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

We have audited the accompanying balance sheets - regulatory basis of the individual fund of the Town of Phillipsburg Free Public Library, as of December 31, 2017, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the statement of expenditures - regulatory basis of the individual fund for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Library's regulatory 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 regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these regulatory financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

## SUPLEE, CLOONEY & COMPANY

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory 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 regulatory 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 B of the regulatory financial statements, the regulatory financial statements are prepared by the Town of Phillipsburg Free Public Library on the basis of the financial reporting provisions prescribed by 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 New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note B 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 the 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 accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds of the Town of Phillipsburg Free Public Library as of December 31, 2017, or the results of its operations and changes in fund balance for the years then ended or the expenditures for the year ended December 31, 2017.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds as of December 31, 2017, the regulatory basis statement of operations and changes in fund balance for the years then ended and the regulatory basis statement of expenditures and changes in fund balance for the year ended December 31, 2017 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note B.

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Phillipsburg Free Public Library's regulatory financial statements. The supplementary information and data listed in the table of contents as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey are presented for purposes of additional analysis and are not a required part of the regulatory financial statements.

The supplemental information and schedules listed above and also listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the regulatory financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory financial statements or to the regulatory 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 information listed and data in the table of contents are fairly stated, in all material respects, in relation to the regulatory financial statements as a whole.

**Prior Period Financial Statements**

The financial statements of the Town of Phillipsburg Free Public Library for the year ended December 31, 2017 were audited by other auditors whose report, dated March 19, 2018, expressed an unmodified opinion on those statements.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2019 on our consideration of the Town of Phillipsburg Free Public 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 Town of Phillipsburg Free Public Library's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 439

January 17, 2019



# SUPLEE, CLOONEY & COMPANY

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**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**

Town of Phillipsburg Free Public Library  
200 Broubalow Way  
Phillipsburg, New Jersey 08865

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory financial statements of the various individual funds and the account group of the Town of Phillipsburg Free Public Library, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Library's regulatory financial statements, and have issued our report thereon dated January 17, 2019. Our report disclosed that, as described in Note B to the financial statements, the Town of Phillipsburg Free Public Library prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the regulatory financial statements, we considered the Library's 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 Library's internal control.

# SUPLEE, CLOONEY & COMPANY

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 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 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. 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 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*.

## ***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* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
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CERTIFIED PUBLIC ACCOUNTANTS

  
\_\_\_\_\_  
REGISTERED MUNICIPAL ACCOUNTANT NO. 439

January 17, 2019

"A"

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS  
AS OF DECEMBER 31, 2017

	BALANCE DECEMBER <u>31, 2017</u>
<u>ASSETS</u>	
Operating Fund:	
Cash	\$ 214,626.23
Petty Cash	75.00
Change Fund	158.00
	<u>\$ 214,859.23</u>
Investments	131,329.51
Due from Town of Phillipsburg	<u>399,161.11</u>
<u>Total Operating Fund</u>	\$ 745,349.85
Fixed Assets	<u>233,374.00</u>
<u>TOTAL ASSETS</u>	<u>\$ 978,723.85</u>
<u>LIABILITIES, RESERVES AND FUND BALANCES</u>	
Accounts Payable	\$ <u>4,376.49</u>
<u>Total Liabilities</u>	\$ <u>4,376.49</u>
Fund Balance:	
Unrestricted - Operating Fund	\$ 573,040.94
Restricted - Maintenance of Free Public Library	13,891.58
Restricted - Memorial Funds	<u>154,040.84</u>
<u>Total Fund Balance</u>	\$ 740,973.36
Fixed Assets	<u>233,374.00</u>
<u>TOTAL LIABILITIES, RESERVES     AND FUND BALANCES</u>	<u>\$ 978,723.85</u>

The Notes to the Financial Statements are an integral part of these statements.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

CURRENT FUND

STATEMENTS OF OPERATIONS AND CHANGE  
IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Restricted</u>	
	<u>Operating Fund</u>	<u>Maintenance of Free Public Library</u>	<u>Memorial Funds</u>
<u>Revenue and Other Income:</u>			
Town Aid	\$ 535,500.00	\$	\$
County Aid	514,500.00		
State Library Aid		7,777.00	
Gain(Loss) on Investments			1,666.84
Fines and Fees	9,064.27		
Printing/Copier Fees	10,278.41		
Miscellaneous	8,804.30		
	<u>1,078,146.98</u>	<u>7,777.00</u>	<u>1,666.84</u>
<u>Total Income</u>	<u>\$ 1,078,146.98</u>	<u>\$ 7,777.00</u>	<u>\$ 1,666.84</u>
<u>Expenditures:</u>			
Budget Appropriations	\$ 1,042,145.04	\$ 21,139.35	\$
	<u>1,042,145.04</u>	<u>21,139.35</u>	<u></u>
<u>Total Expenditures</u>	<u>\$ 1,042,145.04</u>	<u>\$ 21,139.35</u>	<u>\$</u>
Excess / (Deficit) in Revenue	\$ 36,001.94	\$ (13,362.35)	\$ 1,666.84
Fund Balance, January 1	<u>537,039.00</u>	<u>27,253.93</u>	<u>152,374.00</u>
Fund Balance, December 31	<u>\$ 573,040.94</u>	<u>\$ 13,891.58</u>	<u>\$ 154,040.84</u>

The Notes to the Financial Statements are an integral part of these statements.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>DESCRIPTION</u>	<u>PAID OR CHARGED</u>
<u>Expenditures Paid by Town:</u>	
Salaries and Wages	\$ 443,139.97
Other Expenses	118,556.36
<u>Total Expenditures Paid by Town</u>	<u>561,696.33</u>
<u>Expenditures Paid by Library:</u>	
Non-resident Fees	\$ 645.00
Books and Periodicals	152.49
Supplies	6,076.29
Contracted Services	11,049.92
Other Expenses	1,849.62
Gifts and Memorials	2,100.41
<u>Total Expenditures Paid by Library</u>	<u>21,873.73</u>
<u>Expenditures Paid by County Federation Funds:</u>	
County Federation Aid Expenditures	\$ 479,714.33
<u>Total Expenditures Paid by County Federation Funds</u>	<u>479,714.33</u>
<u>GRAND TOTAL LIBRARY EXPENDITURES</u>	<u>\$ 1,063,284.39</u>

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(A) ORGANIZATION

The Town of Phillipsburg Free Public Library is a nonprofit organization established in 1923 to provide library services for the citizens of the Town of Phillipsburg.

(B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Town of Phillipsburg Free Public Library is presented to assist in understanding the Library's financial statements. The financial statements and notes are representations of the Library's management, who is responsible for their integrity and objectivity.

(1) Reporting Entity

The Town of Phillipsburg reports on a Regulatory Basis of Accounting, in accordance with the State of New Jersey Division of Local Government Services, which is another comprehensive basis of accounting.

(2) Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Town of Phillipsburg Free Public Library conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices 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. Under this method of accounting, the financial transactions and accounts of the Town of Phillipsburg Free Public Library are organized on the basis of a fund which is different from the fund structure required by GAAP.

A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services, the Library accounts for its financial transactions through the following individual fund:

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Description of Funds (Continued)

Current Fund - resources and expenditures for library operations of a general nature, including federal and state grants.

General Fixed Assets Account Group – utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds.

(3) Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Operating grants are realized as revenue when anticipated in the Library's budget. Other amounts that are due the Library, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

Budgetary Process - Under existing statutes and regulations, the Town of Phillipsburg Free Public Library is not required to legally adopt an annual operating budget; however, the management approves an annual budget at the beginning of each fiscal year for expenditure control purposes. Unexpended appropriation balances are not reserved or recorded as liabilities at December 31 of each year.

Encumbrances - Contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) Basis of Accounting (Continued)

General Fixed Assets - N.J.A.C. 5:30-5.6 Accounting for Governmental Fixed Assets, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Library as part of its basic financial statements. General fixed assets are defined as nonexpendable personal property having a physical existence and a useful life of more than one year.

Fixed assets are accounted for separately by the Library. The Town of Phillipsburg accounts for the land and building in which the Library operates, but the primary operations, which would include any fixed asset purchases, is paid by and accounted for by the Town of Phillipsburg Free Public Library.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

(4) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(5) Method Used to Value Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note E for a discussion of fair value measurements.

(6) Risks and Uncertainties

The Library invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(C) CONTRIBUTED SERVICES AND FACILITIES

The facilities from which the Library operates, land and buildings, are recorded in the name of the Town of Phillipsburg in accordance with N.J.S.A.40:54-24. The estimated fair rental value for use of these facilities is not reflected in the accompanying financial statements, since there is no objective basis available by which to measure the value of such contributed services.

(D) CASH AND CASH EQUIVALENTS

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

(1) Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements for the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The Town of Phillipsburg Free Public Library had the following cash and cash equivalents at December 31, 2017:

	<u>Cash in Bank</u>	<u>Deletions</u>	<u>Reconciled Balance</u>
General Fund	<u>\$214,642.18</u>	<u>\$15.95</u>	<u>\$214,626.23</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Library does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2017, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash balance in the bank, \$214,642.18.00 was covered by Federal Depository Insurance.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(D) CASH AND CASH EQUIVALENTS (CONTINUED)

(2) Investments

The purchase of investments by the Library is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following types of securities:

- (a) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (b) Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
- (c) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (d) Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
- (e) Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Local Government Services of the Department of Community Affairs for investment by Local Units;
- (f) Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(D) CASH AND CASH EQUIVALENTS (CONTINUED)

(2) Investments (Continued)

(g) Agreements for the repurchase of fully collateralized securities if:

1. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
2. the custody of collateral is transferred to a third party;
  - a. the maturity of the agreement is not more than 30 days;
  - b. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
  - c. a master repurchase agreement providing for the custody and security of collateral is executed.

The Library's investment activities during the year were in accordance with the above New Jersey Statute.

The Library's investments are insured by through the Securities Investor Protection Corporation (SIPC).

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Library is generally not exposed to custodial credit risks or concentration of credit risks for its investments nor is it exposed to foreign currency risk for its deposits and investments. However, the Library may be exposed to both credit risk and interest rate risk as defined in this note.

As of December 31, 2017, the Library had the following investments:

Investment Type	Fair Value
Exchange-Traded Funds	\$ 13,682.40
Money Market Funds	81,725.22
Government Securities	<u>36,670.56</u>
	\$ <u><u>132,078.18</u></u>

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(D) CASH AND CASH EQUIVALENTS (CONTINUED)

(2) Investments (Continued)

Interest Rate Risk

The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical ratings organizations. The entity has no investment policy that would further limit its investment choices.

During 2017, the Library's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated (depreciated) in value by \$1,900.94, as follows:

Investment Type	<u>2017</u>
Exchange-Traded Funds	\$ 581.58
Money Market Funds	647.98
Government Securities	<u>671.38</u>
	\$ <u><u>1,900.94</u></u>

(E) FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under Governmental Accounting Standards Board (GASB) 72 are described as follows:

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

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(E) FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2            Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

**Exchange-Traded Funds** – Valued at the contract's market value as reported by the brokerage company.

**Money Market Funds** – Valued at the contract's market value as reported by the brokerage company.

**Government Securities** – Valued at the contract's market value as reported by the brokerage company.

**Stocks** – Valued at the contract's market value as reported by the brokerage company.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with the other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(E) FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Library's assets at fair value as of December 31, 2017:

	Balance as of December 31, <u>2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange-Traded Funds	\$ 13,682.40	\$ 13,682.40	\$	\$
Corporate Fixed Income	81,725.22	81,725.22		
Government Securities	<u>36,670.56</u>	<u>36,670.56</u>		
	\$ <u>132,078.18</u>	\$ <u>132,078.18</u>	\$ <u>0.00</u>	\$ <u>0.00</u>

(F) LITIGATION

In the ordinary conduct of its business, the Library may be a party to litigation. At December 31, 2017, in the opinion of management, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Library.

(G) CONTINGENCIES

The Library receives a substantial amount of its support from state, county, and local government. A significant reduction in the level of this support, if this would occur, would have an affect on the Library's programs and activities.

State and federal grants require the fulfillment of certain conditions as set forth in the grant agreement or contract. Failure to fulfill the conditions could result in the return of the funds to the grantor; however, the management of the Library deems such a possibility remote.

(H) SUBSEQUENT EVENTS

The Library has evaluated subsequent events occurring after the financial statement date through January 17, 2019 which is the date the financial statements were available to be issued. Based upon this evaluation, the Library has determined that there are no subsequent events needed to be disclosed.

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SUPPLEMENTARY SCHEDULES

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

CURRENT FUND

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

Balance, December 31, 2016		\$	207,696.20
Receipts:			
Non-resident Fees	\$	645.00	
Fines		8,419.27	
Copier		10,278.41	
Interest		24.57	
Miscellaneous Revenue		6,313.05	
Gifts/Memorials		2,491.25	
<u>Total Receipts</u>			<u>28,171.55</u>
		\$	<u>235,867.75</u>
Disbursements:			
2017 Appropriations Paid by Library	\$	21,241.52	
<u>Total Disbursements</u>			<u>21,241.52</u>
Balance, December 31, 2017		\$	<u><u>214,626.23</u></u>

CASH RECONCILIATION - DECEMBER 31, 2017

Balance Per Statement:			
Peapack Gladstone Bank:			
Checking Account	\$	192,264.38	
IRCO Community Federal Credit Union:			
Investment Account		22,377.80	
			\$ <u>214,642.18</u>
Less: Outstanding Checks			<u>15.95</u>
<u>Balance, December 31, 2017</u>		\$	<u><u>214,626.23</u></u>

