

TOWN OF PHILLIPSBURG
FREE PUBLIC LIBRARY

COUNTY OF WARREN

REPORT OF AUDIT

DECEMBER 31, 2014



Mount Arlington Corporate Center
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Mt. Arlington, NJ 07856
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Independent Auditors' Report

The Board of Trustees of the
Town of Phillipsburg Free Public Library
Phillipsburg, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the Town of Phillipsburg Free Public Library (the "Library") in the County of Warren, a component unit of the Town of Phillipsburg, as of and for the year ended December 31, 2014, and the related notes to the financial statements, as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws 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 misstatement, whether due to fraud or error.

Auditors' 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, audit requirements prescribed by 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 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.

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

As described in Note 1, these financial statements are prepared by the Library on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 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 in the first paragraph do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of the Library as of December 31, 2014, or the changes in financial position, thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds of the Library as of December 31, 2014, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Library's financial statements. The supplementary statement of expenditures – unrestricted operating fund listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary statement of expenditures – unrestricted operating fund and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary statement of expenditures – unrestricted operating fund and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

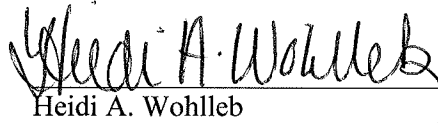
The Board of Trustees of the
Town of Phillipsburg Free Public Library
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2015 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

June 25, 2015
Mount Arlington, New Jersey

NISIVOCIA LLP

A handwritten signature in dark ink, appearing to read "Heidi A. Wohlleb", is written over a horizontal line.

Heidi A. Wohlleb
Registered Municipal Accountant No. 481
Certified Public Accountant

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2014

ASSETS

| | |
|-------------------------------|-------------|
| Operating Fund: | |
| Cash and Cash Equivalents | \$ 189,622 |
| Petty Cash | 75 |
| Change Fund | 158 |
| | <hr/> |
| | 189,855 |
| Investments | 127,993 |
| Due from Town of Phillipsburg | 355,756 |
| Total Operating Fund | <hr/> |
| | 673,604 |
| Plant Fund: | |
| Fixed Assets | <hr/> |
| | 233,357 |
| TOTAL ASSETS | <hr/> <hr/> |
| | \$ 906,961 |

RESERVES AND FUND BALANCE

| | |
|--|-------------|
| Operating Fund: | |
| Liabilities: | |
| Accounts Payable | \$ 15,920 |
| Total Liabilities | <hr/> |
| | 15,920 |
| Operating Fund: | |
| Fund Balances: | |
| Unrestricted: | |
| Operating Fund | 489,495 |
| Restricted: | |
| Maintenance of Free Public Library | 17,552 |
| Memorial Funds | 150,637 |
| Total Fund Balances/Total Operating Fund | <hr/> |
| | 657,684 |
| Plant Fund: | |
| Investment in General Fixed Assets | <hr/> |
| | 233,357 |
| TOTAL RESERVES AND FUND BALANCE | <hr/> <hr/> |
| | \$ 906,961 |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
STATEMENT OF SUPPORT AND REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2014

| | Unrestricted | Restricted | | |
|---|-------------------|------------------------------------|-------------------|-------------------|
| | Operating Fund | Maintenance of Free Public Library | Memorial Funds | Total |
| Support: | | | | |
| Town Aid | \$ 492,075 | | | \$ 492,075 |
| County Aid (Federation) | 546,050 | | | 546,050 |
| State Aid | | \$ 7,798 | | 7,798 |
| Donations and Memorials | 4,926 | | \$ 4,000 | 8,926 |
| Memorials - Phillipsburg Library | | | | |
| Bequest | 10,529 | | | 10,529 |
| Total Support | <u>1,053,580</u> | <u>7,798</u> | <u>4,000</u> | <u>1,065,378</u> |
| Revenue: | | | | |
| Fines and Fees | 10,358 | | | 10,358 |
| Investment Income/Loss | 301 | | 3,025 | 3,326 |
| Photocopy Fees | 10,840 | | | 10,840 |
| Total Revenue | <u>21,499</u> | | <u>3,025</u> | <u>24,524</u> |
| Total Support and Revenue | <u>1,075,079</u> | <u>7,798</u> | <u>7,025</u> | <u>1,089,902</u> |
| Expenditures: | | | | |
| Operating | 1,039,618 | | | 1,039,618 |
| Maintenance of Free Public Library | | 15,938 | | 15,938 |
| Memorial Funds | | | 4,000 | 4,000 |
| Total Expenditures | <u>1,039,618</u> | <u>15,938</u> | <u>4,000</u> | <u>1,059,556</u> |
| Excess/(Deficit) of Support and Revenue | | | | |
| Over/(Under) Expenditures | 35,461 | (8,140) | 3,025 | 30,346 |
| Fund Balance: | | | | |
| January 1 | <u>454,034</u> | <u>25,692</u> | <u>147,612</u> | <u>627,338</u> |
| December 31 | <u>\$ 489,495</u> | <u>\$ 17,552</u> | <u>\$ 150,637</u> | <u>\$ 657,684</u> |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Town of Phillipsburg Free Public Library (the "Library") conform to accounting practices applicable to enterprise funds of municipalities as prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such 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. The more significant policies follow:

Reporting Entity - Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources and significance) should be included in the financial reporting entities. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current year. The Library is a component unit of the Town of Phillipsburg under the provisions of Governmental Accounting Standards Board Codification Section 2100.

Revenue and Expenditures - Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey or from municipal budget appropriations, which are recognized on the accrual basis. Expenditures are charged to operations generally on the accrual basis. The cost of supplies and other items, which would otherwise be considered inventory and recorded as assets, are treated as expenditures and charged to operations when paid. Accrued compensated absences are charged to operations on the cash basis.

Per Capita State Library Aid - Decisions on the use and expenditure of per capita State Library Aid rest with the Board of Trustees of the Phillipsburg Free Public Library. This aid is received on an annual basis, usually in November. It is the Board's policy to use the current year's State Aid as part of the supporting funds for the subsequent year's operations. The only restriction placed on the use of State Library Aid is that it must be expended within two years of receipt.

Fixed Assets - General fixed assets are recorded at historical cost. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve and extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for general fixed assets is offset by a reserve titled "Investment in General Fixed Assets". When properties are retired or otherwise disposed off, the asset and the reserve are adjusted accordingly. Fixed assets are reviewed for impairment.

Contributed Facilities - The Library occupies, without charge, premises located in government-owned buildings. The estimated fair rental value of the premises is not reported as support and expense in the period in which the premises were used.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

Collections and Books - Collections and books, which are held for display and/or study and are available for general public use, are recorded as operating expenditures at the time of purchase. Donated collections and books are not recorded at their fair market value when donated.

Fund Accounting - To ensure observance of limitations and restrictions placed on the use of resources available to the Library, the accounts of the Library are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to nature and purpose. Accordingly, all financial transactions have been recorded and reported by fund group.

Cash and Cash Equivalents - Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost or amortized cost, which approximates market.

Restricted Fund Balances

Fund Balance - Maintenance of Free Public Library - The Board of Library Trustees has accepted state funds restricted to be used for maintenance of the Library.

Fund Balance - Memorial Fund - The Board of Library Trustees has accepted funds restricted to be used for Library purchases as directed by the donor.

Note 2: Pension Plan

Library employees are enrolled, through the Town, in the Public Employees' Retirement System (PERS) of New Jersey, a cost sharing multiple - employer public employee retirement system. As a general rule, all full-time employees and permanent part-time employees who exceed prescribed minimum hours are eligible to join the Public Employees' Retirement System.

Employees who are members of PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service.

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. For PERS, the contribution rate was 6.78% effective July 1, 2013 and increased to 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Note 2: Pension Plan (Cont'd)

Town contributions to PERS amounted to \$346,227, \$369,284, and \$362,752 for 2014, 2013 and 2012, respectively. The PERS does not maintain separate records for Library employees.

Note 3: Contingencies/Commitments

The Library is periodically involved in various lawsuits arising in the normal course of the Library's operations including claims for property damage, personal injury and various contract disputes. The Library is unaware of any such litigation or claims as of the date of these financial statements relating to the year ended December 31, 2014.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Library as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Library officials expect such amounts, if any, to be immaterial.

Note 4: Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Library classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires the disclosure of the level of custodial credit risk assumed by the Library in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Library ensures that any deposit or investments matures within the time period that approximates the prospective need for funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Library limits its investments to those authorized in its cash management plan which are permitted under state statute as detailed in the investment section of this note.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Note 4: Cash and Cash Equivalents and Investments (Cont'd)

Deposits: (Cont'd)

The market value of the collateral must equal 5% of the average daily balance of public funds; and in addition,

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

As of December 31, 2014, cash and cash equivalents of the Town of Phillipsburg Free Public Library consisted of the following:

| | <u>Cash On Hand</u> | <u>Savings Accounts</u> | <u>Checking Accounts</u> | <u>Balance Dec. 31, 2014</u> |
|-------------------------|-------------------------|-----------------------------|------------------------------|----------------------------------|
| Cash & Cash Equivalents | \$ 233 | \$ 22,311 | \$ 167,311 | \$ 189,855 |

As of December 31, 2014, the carrying value of the cash and cash equivalents of the Library was \$189,855 and the bank balance was \$189,622.

Investments:

New Jersey statutes permit the Library to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) 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;
- (4) 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;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Note 4: Cash and Cash Equivalents and Investments (Cont'd)

Investments: (Cont'd)

- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

The money market mutual funds and the mutual funds are insured through the Securities Investor Protection Corporation (SIPC). The money market mutual funds and the mutual funds are unregistered.

Investments at December 31, 2014 consisted of the following:

| | <u>Money Market Mutual Funds</u> | <u>Mutual Funds</u> | <u>Balance Dec. 31, 2014</u> |
|-------------|--------------------------------------|-------------------------|----------------------------------|
| Investments | <u>\$ 80,835</u> | <u>\$ 47,158</u> | <u>\$ 127,993</u> |

Note 5: Accrued Compensated Absences

The Library has permitted employees to accrue unused sick pay which may be taken as time off or paid upon retirement at the employee's current rate upon such termination. It is estimated that the current cost of such unpaid compensation would approximate \$169,763. This amount is not reported either as an expenditure or a liability. Such compensation would be included in the Library's budget expenditures in the year it is paid.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Note 6: Fixed Assets

The following is a summarization of the activity of fixed assets for the year ended December 31, 2014:

| | Balance 12/31/2013 | Additions | Deletions | Balance 12/31/2014 |
|-------------------------------|-----------------------|------------------|------------------|-----------------------|
| Machinery and Equipment | \$ 130,189 | \$ 13,294 | \$ 21,156 | \$ 122,327 |
| Office Furniture and Fixtures | 108,485 | 2,545 | | 111,030 |
| | <u>\$ 238,674</u> | <u>\$ 15,839</u> | <u>\$ 21,156</u> | <u>\$ 233,357</u> |

Note 7: Risk Management

The Town of Phillipsburg maintains insurance policies which cover the Phillipsburg Free Public Library as well. The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town obtains their health benefit coverage through Horizon Blue Cross/Blue Shield of NJ.

The Town of Phillipsburg is currently a member of the Statewide Insurance Fund (the "Fund"). The Fund provides its members with Auto, Liability, Property Insurance, Workers' Compensation and Employee Liability Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self administered group of governmental entities established for the purpose of providing low-cost insurance coverage for its members in order to keep local property taxes at a minimum.

Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of this Fund, the Town could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. The members may either receive payment or offset their subsequent year assessments with their respective share of the distribution.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Note 7: Risk Management (Cont'd)

The December 31, 2014 audit report for the Fund is not available as of the date of this report. Selected, summarized financial information for the Fund as of December 31, 2013 is as follows:

| | Statewide Insurance Fund Dec. 31, 2013 |
|------------------------|---|
| Total Assets | \$ 36,865,759 |
| Net Position | \$ 7,010,778 |
| Total Revenue | \$ 23,466,411 |
| Total Expenditures | \$ 21,204,866 |
| Change in Net Position | \$ 2,261,545 |
| Member Dividends | \$ -0- |

Financial statements for the Fund are available at the office of the Fund's Executive Director:

Statewide Insurance Fund
Statewide Insurance Fund
26 Columbia Turnpike
P.O. Box 678
Florham Park, NJ 07932-0678
(973) 549-1900

Note 8: Economic Dependency

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

Note 9: Potential Transfer of Excess Funds

Pursuant to N.J.S.A. 40:54-15(A), municipal free public libraries are required to submit to their respective municipalities an annual report which identifies any excess funds that the Library Board will approve for transfer to said municipality as miscellaneous revenue, pending approval by the State Librarian. The law stipulates that any remaining undesignated or unrestricted fund balance which is greater than twenty per cent of the prior year's actual library's expenditures is considered to be excess funds. The designation/restriction of fund balance is done most commonly for A) future capital needs as identified in the library's strategic and technology plans, B) current year fund balance anticipated as a revenue in the library's subsequent years budget and C) externally restricted gifts or endowments.

The Library Board of Trustees forwards to the State Librarian for their approval, a resolution of intent, a proposed transfer sheet, the most recent available audit and a 3, 4 or 5 year plan of library service charting the library's direction for the future. Since all of these steps will be performed subsequent to the issuance of the annual audit, no determination of excess funds has been included in the year ended December 31, 2014 financial statements.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
 (Continued)

Note 10: Related Party Transactions

The Library realized \$492,075 as support from the Town of Phillipsburg for 2014. The Town expended \$492,075 for Library purposes during 2014, and was reimbursed by the Library for those expenditures. At December 31, 2014, the Town of Phillipsburg owed the Library \$355,756 for funds held by the Town representing maintenance of free public library and County Federation funds.

Note 11: Accounts Payable

| | |
|--------------------|-------------------------|
| Vendors | \$ 9,228 |
| Salaries and Wages | <u>6,692</u> |
| | <u><u>\$ 15,920</u></u> |

SUPPLEMENTARY DATA

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
STATEMENT OF EXPENDITURES - UNRESTRICTED OPERATING FUND
YEAR ENDED DECEMBER 31, 2014

| | <u>Paid or Charged</u> |
|--|--------------------------------|
| <u>Expenditures Paid by Town:</u> | |
| Operating: | |
| Salaries and Wages | \$ 365,736 |
| Other Expenses | <u>126,339</u> |
| Total Expenditures Paid by Town | <u>492,075</u> |
| <u>Expenditures Paid by Library:</u> | |
| Non Resident Fees | 825 |
| Books and Periodicals | 948 |
| Supplies | 5,628 |
| Contracted Services | 9,539 |
| Building Repair and Maintenance | 2,510 |
| Other Library Expenses | 215 |
| Gifts and Memorials | <u>2,123</u> |
| Total Expenditures Paid by Library | <u>21,788</u> |
| <u>Expenditures - County Federation Funds:</u> | |
| County Federation Aid | <u>525,755</u> |
| Total County Federation Fund Expenditures | <u>525,755</u> |
| Total Expenditures | <u><u>\$ 1,039,618</u></u> |

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
OFFICIALS IN OFFICE
YEAR ENDED DECEMBER 31, 2014

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

| <u>Name</u> | <u>Title</u> | <u>Expiration of Term</u> |
|----------------------|--|---------------------------|
| Richard Buralli | President | 12/31/2018 |
| Edward Bullock | Vice President | 12/31/2018 |
| Marilynn A. Barone | Secretary | 12/31/2015 |
| Ralph A. Jiorle, Jr. | Treasurer | 12/31/2016 |
| Judith H. Butcher | Board Member at Large | 12/31/2018 |
| Virginia Rutledge | Board Member at Large | 12/31/2015 |
| Harry Wyant | Mayor | Term of Office |
| George M. Chando | Superintendent of Schools | Term of Office |
| Dr. Marian Trapani | Alternate to Superintendent of Schools | Term of Office |
| Ann DeRenzis | Library Director | Term of Office |

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2014

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

NOT APPLICABLE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2014

| <u>Name of State Agency or Department</u> | <u>Name of Program</u> | <u>State Grant Award Number</u> | <u>Grant Period</u> | | <u>Grant Award</u> | <u>Amount Received</u> | <u>Amount of Expenditures</u> | <u>Cumulative Expenditures</u> |
|---|--------------------------------|-------------------------------------|---------------------|-----------|------------------------|----------------------------|-----------------------------------|------------------------------------|
| | | | <u>From</u> | <u>To</u> | | | | |
| Department of Education | State Library Aid (Per Capita) | 2541-100-074-2541- 066-SSSS-6010 | 1/1/10 | 12/31/14 | \$ 7,179 | | \$ 3,044 | \$ 7,179 |
| | | | 1/1/11 | 12/31/14 | 6,889 | | 6,278 | 6,889 |
| | | | 1/1/12 | 12/31/14 | 6,616 | | 6,616 | 6,616 |
| | | | 1/1/13 | 12/31/15 | 6,550 | | | |
| | | | 1/1/14 | 12/31/16 | 7,798 | \$ 7,798 | | |
| | | | | | | <u>\$ 7,798</u> | <u>\$ 15,938</u> | <u>\$ 20,684</u> |

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2014

Note 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of the Town of Phillipsburg Free Public Library under programs of the state government for the year ended December 31, 2014. The information in these schedules is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States and Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Library, they are not intended to and do not present the financial position or changes in fund balance of the Library.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying state schedule agrees with the amounts reported in the related state financial reports.



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax
Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
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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*

Independent Auditors' Report

The Board of Trustees of the
Town of Phillipsburg Free Public Library
Phillipsburg, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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, the financial statements - *regulatory basis* - of the various funds of the Town of Phillipsburg Free Public Library, in the County of Warren (the "Library") as of and for the year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated June 25, 2015. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 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 the 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.

The Board of Trustees of the
Town of Phillipsburg Free Public Library
Page 2

Compliance and Other Matters

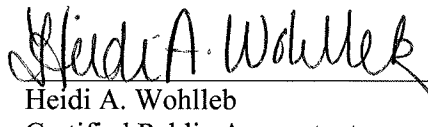
As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

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 result 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.

June 25, 2015
Mount Arlington, New Jersey

NISIVOCCIA LLP

A handwritten signature in black ink, appearing to read "Heidi A. Wohlleb", is written over a horizontal line.

Heidi A. Wohlleb
Certified Public Accountant
Registered Municipal Accountant No. 481

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2014

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Library prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' 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*.
- No instances of noncompliance material to the financial statements of the Library which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Library was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey's OMB Circular 04-04 for the year ended December 31, 2014 as both state and federal grant expenditures were less than the single audit thresholds of \$500,000 identified in the Circulars.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the Single Audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the Single Audit threshold.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014

There were no prior year findings.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2014

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
COMMENTS AND RECOMMENDATIONS

New Jersey Administrative Code Accounting Requirements

The Division of Local Government Services has established three (3) accounting requirements which are prescribed in the New Jersey Administrative Code. They are as follows:

1. Maintenance of an Encumbrance/Accounts Payable System
2. General Ledger Accounting System
3. Fixed Assets Accounting System

The Library is in compliance with these 3 accounting requirements.

Management Suggestion:

We suggest that the Library continue to review the type of investments that the Library's funds are invested in on a regular basis to ensure that these funds are protected from loss.

Status of Prior Year Recommendations

The Library's prior year recommendation regarding state aid has been resolved.

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
SUMMARY OF RECOMMENDATIONS

It is recommended that:

NONE

* * * * *

TOWN OF PHILLIPSBURG FREE PUBLIC LIBRARY
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