

**VINELAND PUBLIC LIBRARY  
(A COMPONENT UNIT OF  
THE CITY OF VINELAND)**

**REPORT OF AUDIT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2018**



**VINELAND PUBLIC LIBRARY (A COMPONENT UNIT OF THE CITY OF VINELAND)**Exhibit No.Page No.**PART 1 – REPORT OF AUDIT OF THE FINANCIAL STATEMENTS**

	Independent Auditor's Report	2
	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	5
A-1	Statements of Assets, Liabilities, Reserves, and Fund Balance -- Regulatory Basis	7
A-2	Statements of Operations and Changes in Fund Balance -- Regulatory Basis	8
A-3	Statement of Revenues – Regulatory Basis	9
A-4	Statement of Expenditures – Regulatory Basis	10
	Notes to Financial Statements	12

**SUPPLEMENTARY EXHIBITS**

B-1	Statement of Receipts and Disbursements	31
B-2	Statement of Reserve for State Grants Receivable	32
B-3	Statement of Reserve for State Grants Unappropriated	33
B-4	Statement of Reserve for State Grants Appropriated	34

**PART 2 – SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

	Schedule of Findings and Recommendations Schedule of Financial Statement Findings	36
	Summary Schedule of Prior Year Audit Findings and Recommendations as Prepared by Management	37
	Officials in Office	38
	Appreciation	39

**VINELAND PUBLIC LIBRARY**

**PART 1**

**REPORT OF AUDIT OF FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable President and  
Members of the Board of Trustees  
Vineland Public Library  
Vineland, New Jersey 08360

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

We have audited the accompanying statement of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Vineland Public Library (the "Library"), a component unit of the City of Vineland, in the County of Cumberland, State of New Jersey, as of December 31, 2018, and the related statement of operations and changes in fund balance - regulatory basis for the year then ended, and the related statement of revenues - regulatory basis, and statement of expenditures - regulatory basis for the year ended December 31, 2018, 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 entity'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 entity'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 Vineland Public Library, a component unit of the City of Vineland, in the County of Cumberland, State of New Jersey, as of December 31, 2018, 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 Vineland Public Library, a component unit of the City of Vineland, in the County of Cumberland, State of New Jersey, as of December 31, 2018, and the results of its operations and changes in fund balance - regulatory basis of such funds for the year then ended, and the revenues - regulatory basis and expenditures - regulatory basis of the various funds for the year ended December 31, 2018, 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.

### ***Prior Period Financial Statements***

The financial statements of the Vineland Public Library, a component unit of the City of Vineland, in the County of Cumberland, State of New Jersey, as of and for the year ended December 31, 2017, were audited by another auditor whose reported dated December 13, 2018, expressed an adverse opinion under accounting principles generally accepted in the United States of America and an unmodified opinion under the regulatory basis of accounting.

### ***Emphasis of Matter***

#### ***Adoption of New Accounting Principles***

As discussed in note 1 to the financial statements, during the year ended December 31, 2018, the Library adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, and Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The adoption of these new accounting principles resulted in material note disclosures (see note 4 and 5). As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of these Statements only required financial statement disclosures. Our opinions are not modified with respect to this matter.

**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 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 described in the previous paragraph are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Report on Summarized Comparative Information*

The financial statements of the Vineland Public Library, a component unit of the City of Vineland, in the County of Cumberland, State of New Jersey, as of and for the year ended December 31, 2017, were audited by another auditor whose report dated December 13, 2018, expressed an adverse opinion under accounting principles generally accepted in the United States of America and an unmodified opinion under the regulatory basis of accounting. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2020 on our consideration of the Vineland Public Library, a component unit of the City of Vineland, in the County of Cumberland, 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 solely 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 the effectiveness of the Vineland Public Library's 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 Vineland Public Library's internal control over financial reporting and compliance.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

*Carol A. McAllister*

Carol A. McAllister  
Certified Public Accountant  
Registered Municipal Accountant

Voorhees, New Jersey  
January 23, 2020

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

**INDEPENDENT AUDITOR'S REPORT**

The Honorable President and  
Members of the Board of Trustees  
Vineland Public Library  
Vineland, New Jersey 08360

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 Vineland Public Library, (the "Library"), a component unit of the City of Vineland, in the County of Cumberland, State of New Jersey, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated January 23, 2020. That report indicated that the Vineland Public 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. That report also indicated that the financial statements of the Library as of December 31, 2017, were audited by another auditor whose report dated December 13, 2018, expressed an adverse opinion under accounting principles generally accepted in the United States of America and an unmodified opinion under the regulatory basis of accounting. Our report on the financial statements included an emphasis of matter paragraph describing the adoption of new accounting pronouncements.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Vineland Public 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 Vineland Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Vineland Public 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. 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.

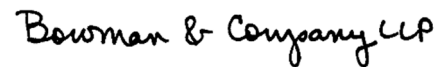
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Vineland Public 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.

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

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Carol A. McAllister  
Certified Public Accountant  
Registered Municipal Accountant

Voorhees, New Jersey  
January 23, 2020



**VINELAND PUBLIC LIBRARY**

Statements of Assets, Liabilities, Reserves, and Fund Balance -- Regulatory Basis  
As of December 31, 2018 and 2017

<b><u>ASSETS</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>General Fund:</b>		
Cash and Cash Equivalents	\$ 169,380.70	\$ 303,137.00
Investments	8,320.06	40,889.00
Due from City of Vineland:		
City Appropriation Receivable		77,122.00
	<u>177,700.76</u>	<u>421,148.00</u>
<b>Federal and State Grant Funds:</b>		
Cash and Cash Equivalents	<u>26,577.00</u>	<u>26,325.00</u>
	<u>26,577.00</u>	<u>26,325.00</u>
	<u><u>\$ 204,277.76</u></u>	<u><u>\$ 447,473.00</u></u>
<b><u>LIABILITIES, RESERVES, AND FUND BALANCE</u></b>		
<b>General Fund:</b>		
Liabilities:		
Appropriation Reserves	\$ -	\$ 73,522.00
Accounts Payable	<u>7,008.04</u>	<u>20,563.00</u>
	<u>7,008.04</u>	<u>94,085.00</u>
Fund Balance:		
Reserved	3,393.92	3,394.00
Unreserved:		
Designated for Building Improvement and Equipment		8,848.00
Designated for Subsequent Year's Expenditures		241,471.00
Undesignated	<u>167,298.80</u>	<u>73,350.00</u>
	<u>170,692.72</u>	<u>327,063.00</u>
<b>Federal and State Grant Fund:</b>		
Liabilities:		
Reserve for Federal and State Grants:		
Unappropriated	<u>26,577.00</u>	<u>26,325.00</u>
	<u>26,577.00</u>	<u>26,325.00</u>
	<u><u>\$ 204,277.76</u></u>	<u><u>\$ 447,473.00</u></u>

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

## VINELAND PUBLIC LIBRARY

Statements of Operations and Changes in Fund Balance -- Regulatory Basis  
For the Years Ended December 31, 2018 and 2017

<b><u>Revenue and Other Income Realized</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Fund Balance Anticipated	\$ 15,000.00	\$ 64,410.00
Budget Revenues:		
City of Vineland	1,375,349.00	1,391,565.00
Miscellaneous Revenues	50,752.54	54,659.00
Other Grants/Donations	20,608.61	32,056.00
State Library Aid (per Capita)	26,325.00	
Unexpected Balance of Appropriation Reserves	<u>73,522.00</u>	<u>54,842.00</u>
Total Income	<u>1,561,557.15</u>	<u>1,597,532.00</u>
<b><u>Expenditures</u></b>		
Budget Appropriations	1,471,785.00	1,525,230.00
Overexpenditures of Budget Appropriations	<u>231,142.43</u>	<u>24,624.00</u>
Total Expenditures	<u>1,702,927.43</u>	<u>1,549,854.00</u>
Excess (Deficit) of Revenue and Other Income Realized Over Expenditures	(141,370.28)	47,678.00
<b><u>Fund Balance</u></b>		
Balance January 1,	327,063.00	343,795.00
Decreased by:		
Utilized as Revenues	<u>(15,000.00)</u>	<u>(64,410.00)</u>
Balance December 31,	<u>\$ 170,692.72</u>	<u>\$ 327,063.00</u>

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

**VINELAND PUBLIC LIBRARY**  
Statement of Revenues - Regulatory Basis  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)

	Year Ended December 31, 2018					Realized in Year Ended Dec 31, 2017 Memo Only
	<u>Original Budget</u>	<u>Supplemental Adjustments</u>	<u>Revised</u>	<u>Realized</u>	<u>Variance- Favorable (Unfavorable)</u>	
General Fund						
Fund Balance Anticipated	\$ 15,000.00	\$ -	\$ 15,000.00	\$ 15,000.00	\$ -	\$ 64,410.00
City of Vineland	1,375,349.00		1,375,349.00	1,375,349.00		1,365,145.00
Miscellaneous Revenues	55,111.00		55,111.00	50,752.54	(4,358.46)	54,659.00
Other Grants/Donations				20,608.61	20,608.61	32,056.00
	<u>\$ 1,445,460.00</u>	<u>-</u>	<u>1,445,460.00</u>	<u>1,461,710.15</u>	<u>16,250.15</u>	<u>1,516,270.00</u>
Federal and State Grant Fund:						
State Grants:						
State Library Aid (per Capita)	<u>26,325.00</u>		<u>26,325.00</u>	<u>26,325.00</u>		<u>26,420.00</u>
	<u>26,325.00</u>	<u>-</u>	<u>26,325.00</u>	<u>26,325.00</u>	<u>-</u>	<u>26,420.00</u>
	<u>\$ 1,471,785.00</u>	<u>\$ -</u>	<u>\$ 1,471,785.00</u>	<u>\$ 1,488,035.15</u>	<u>\$ 16,250.15</u>	<u>\$ 1,542,690.00</u>

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

**VINELAND PUBLIC LIBRARY**  
Statement of Expenditures - Regulatory Basis  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)

	<u>Original Budget</u>	<u>Supplemental Adjustments</u>	<u>Budget after Modification</u>	<u>Expended</u>	<u>Reserved</u>	<u>Over- Expenditures</u>	<u>Expended in Year Ended Dec 31, 2017 Memo Only</u>
General Fund							
Salaries and Wages	\$ 846,836.00	\$ -	\$ 846,836.00	\$ 905,634.26	\$ -	\$ 58,798.26	\$ 1,096,908.00
Fringe Benefits	580,624.00		580,624.00	591,169.58		10,545.58	78,943.00
	<u>1,427,460.00</u>	<u>-</u>	<u>1,427,460.00</u>	<u>1,496,803.84</u>	<u>-</u>	<u>69,343.84</u>	<u>1,175,851.00</u>
Other Expenses:							
Library Materials	18,000.00		18,000.00	30,684.46		12,684.46	83,534.00
Office Supplies				11,409.11		11,409.11	22,242.00
Furniture and Equipment				818.25		818.25	2,114.00
Building and Fixtures				9,054.61		9,054.61	20,392.00
Telephone				4,418.42		4,418.42	6,578.00
Electric, Water and Sewer				72,009.49		72,009.49	66,060.00
Cleaning Services							500.00
Maintenance of Grounds				1,700.00		1,700.00	2,465.00
Departmental Supplies				599.47		599.47	1,229.00
Rental (Copier)				4,572.64		4,572.64	4,552.00
Miscellaneous				9,298.53		9,298.53	17,568.00
Travel				572.93		572.93	1,868.00
Professional Services				18,736.62		18,736.62	21,377.74
Dues and Subscriptions							520.00
Janitorial Supplies				1,945.53		1,945.53	3,495.00
Postage				432.52		432.52	4,552.07
Computer Sharing Costs				10,180.97		10,180.97	9,774.22
Furniture, Fixtures and Equipment				706.87		706.87	150.00
Training				660.79		660.79	689.00
Computer Equipment				1,997.38		1,997.38	4,401.12
Total Other Expenses	<u>18,000.00</u>	<u>-</u>	<u>18,000.00</u>	<u>179,798.59</u>	<u>-</u>	<u>161,798.59</u>	<u>274,061.15</u>
Total General Fund	<u>1,445,460.00</u>	<u>-</u>	<u>1,445,460.00</u>	<u>1,676,602.43</u>	<u>-</u>	<u>231,142.43</u>	<u>1,449,912.15</u>

(Continued)

**VINELAND PUBLIC LIBRARY**  
Statement of Expenditures - Regulatory Basis  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)

	<u>Original Budget</u>	<u>Supplemental Adjustments</u>	<u>Budget after Modification</u>	<u>Expended</u>	<u>Reserved</u>	<u>Over- Expenditures</u>	<u>Expended in Year Ended Dec 31, 2017 Memo Only</u>
Federal and State Grant Fund:							
State Grants:							
State Library Aid (per Capita)	\$ 26,325.00	\$ -	\$ 26,325.00	\$ 26,325.00	\$ -	\$ -	\$ 26,420.00
Total All Funds	<u>\$ 1,471,785.00</u>	<u>\$ -</u>	<u>\$ 1,471,785.00</u>	<u>\$ 1,702,927.43</u>	<u>\$ -</u>	<u>\$ 231,142.43</u>	<u>\$ 1,476,332.15</u>
Appropriated Reserves for Federal and State Grants				\$ 26,325.00			\$ 26,420.00
Accounts Payable				7,008.04			20,563.00
Disbursed				<u>1,669,594.39</u>			<u>1,429,349.00</u>
				<u>\$ 1,702,927.43</u>			<u>\$ 1,476,332.00</u>

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

**VINELAND PUBLIC LIBRARY**  
Notes to Financial Statements  
For the Year Ended December 31, 2018

---

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

**Description of Financial Reporting Entity** - The Vineland Public Library (hereafter referred to as the "Library") was established by the then Borough of Vineland by a resolution in 1901 to provide library resources to the residents of the municipality. The Library is governed by a nine member Board of Trustees. The Board includes the Mayor, the Superintendent of Vineland Schools (or their designees) and seven members who are appointed by the Mayor. President and Vice-President are elected from the Board members to serve a two year term. The daily activities of the Library are overseen by the Library Director.

**Component Units** - In evaluating how to define the Library for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are an in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Library is a component unit of the City of Vineland. These financial statements would be either blended or discretely presented as part of the City's financial statements if the City reported using accounting principles generally accepted in the United States of America.

In addition, if the provisions of the aforementioned GASB Statements had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the Library, a component unit of the City of Vineland:

Friends of the Vineland Public Library  
1058 East Landis Avenue, Vineland, NJ 08360

Vineland Public Library Foundation, Inc.  
1058 East Landis Avenue, Vineland, NJ 08360

Annual financial reports may be inspected directly at the offices of these component units during regular business hours.

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

**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* (the "*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.

**Federal and State Grant Fund** – The federal and state grant fund accounts for grant awards and related expenditures for grant funds received from federal and/or state governments.

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

Amounts reported under "revised" and "budget after modification" in Exhibits A-3 and A-4, respectively, 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 due within 90 days are recorded as cash. Investments, including certificates of deposits with a maturity of 90 days or greater 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 Board policy requires the Library to deposit funds in public depositories protected from loss under the provisions of the Act.

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

**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 the Library, 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. 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. The Library is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets.

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.

The land, building and fixtures utilized by the Library are the property of the City of Vineland, therefore their values are not reflected in the financial statements of the Library.

**Fund Balance** - Fund balance included in the general fund represents the amount available for anticipation as revenue in future years' budgets, with certain restrictions.

**Revenues** - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants is realized when anticipated as such in the Library's budget.

**Grants and City Appropriation** - The Library records income from grants in the period designated by the grantor. In addition, the Library also receives an appropriation from the City of Vineland that is mandated by state statute. The minimum annual appropriation must be a sum equal to one-third of a mil on every dollar of taxable value of each property within the municipality based on the equalized valuation of such property as certified by the Director of the Division of Taxation, Department of Treasury, State of New Jersey.

**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.



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

**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.

**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 of Collections and Books** - Because the values of the collection of books are not readily determinable, the Library has not capitalized them.

**Contributed Facilities** - The Library occupies, without charge, certain premises owned by the City of Vineland. The Library does not report the estimated fair rental value of the premises as support, nor does it deduct the expense in which the premises are used.

**Summarized Financial Information for the Year Ended December 31, 2017** - The financial information for the year ended December 31, 2017, presented for comparison purposes, is not intended to be considered complete financial statement presentation.

**Impact of Recently Issued Accounting Principles****Recently Issued and Adopted Accounting Pronouncements**

Beginning in January 1, 2018, the City of Vineland no longer makes on-behalf payments of pension and health benefits for the Library. As a result, the Library was required to adopt the following GASB Statements for the year ended December 31, 2018:

*GASB 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* - as a result of adopting such Statements, the Library was required to measure and disclose liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their defined benefit pensions.

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - as a result of adopting Statement No. 75, the Library was required to measure and disclose liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their postemployment benefits plan.

As a result of the regulatory basis of accounting previously described in note 1, the implementation of these Statements only required financial statement disclosures. There exists no impact on the financial statements of the Library.

**Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS**

**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

**Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONT'D)**

**Custodial Credit Risk Related to Deposits (Cont'd)** - 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, bail funds, 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, 2018, the Library does not have such funds that exceed the FDIC insured amount.

New Jersey municipal units are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey municipal units. All of the Library's investments are in certificate of deposits which do not exceed the FDIC insured amount.

**Note 3: FUND BALANCES APPROPRIATED**

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

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2018	\$ 170,692.72	\$ -	0.00%
2017	327,063.00	15,000.00	4.59%
2016	343,795.00	64,410.00	18.74%
2015	321,199.00	84,228.00	26.22%
2014	301,808.00	72,409.00	23.99%

**Note 4: PENSION PLANS**

A substantial number of the Library's employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan administered by the New Jersey Division of Pensions and Benefits. In addition, a few 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, required supplementary information and detailed information about the PERS and PFRS plan's fiduciary net position which can be obtained by writing to or at the following website:

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

**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' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members.

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

**Public Employees' Retirement System (Cont'd)** - 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' Board of Trustees is primarily responsible for the administration of the PERS.

**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 enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, 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. 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 with 25 years or more of service credit before age 62, 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)****Vesting and Benefit Provisions (Cont'd)**

**Defined Contribution Retirement Program** - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

**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. 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 7.34% in State fiscal year 2018. 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 (P.L. 2001, C. 366) was 10% in State fiscal year 2018. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Library's contractually required contribution rate for the year ended December 31, 2018 was 13.93% 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, 2018, the Library's contractually required contribution to the pension plan for the year ended December 31, 2018 is \$128,338.00, and was payable by April 1, 2019. 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, 2017, the Library's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$119,435.00, which was paid on April 1, 2018. Employee contributions to the Plan during the year ended December 31, 2018 were \$67,634.36.

**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, 2018, employee contributions totaled \$2,466.28, and the Library's contributions were \$1,771.12. There were no forfeitures during the year.

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

**Public Employees' Retirement System** - At December 31, 2018, the Library's proportionate share of the PERS net pension liability was \$2,540,432.00. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2018. 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, 2018 measurement date, the Library's proportion was 0.0129024810%, which was an increase of 0.0000099599% from its proportion measured as of June 30, 2017.

At December 31, 2018, the Library's proportionate share of the PERS pension expense, calculated by the Plan as of the June 30, 2018 measurement date is \$146,539.00. 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, 2018, the Library's contribution to PERS was \$119,435.00, and was paid on April 1, 2018.

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At December 31, 2018, the Library had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between Expected and Actual Experience	\$ 48,446.00	\$ 13,099.00
Changes of Assumptions	418,621.00	812,295.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	23,829.00
Changes in Proportion and Differences between Library Contributions and Proportionate Share of Contributions	12,960.00	22,742.00
Library Contributions Subsequent to the Measurement Date	<u>64,169.00</u>	<u>-</u>
	<u>\$ 544,196.00</u>	<u>\$ 871,965.00</u>

\$64,169.00 included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2019. This amount was based on an estimated April 1, 2020 contractually required contribution, prorated from the pension plan's measurement date of June 30, 2018 to the Library's year end of December 31, 2018.

**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 other deferred outflow of resources and deferred inflows of resources related to pension 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, 2017	5.48	-
June 30, 2018	-	5.63
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2017	-	5.48
June 30, 2018	-	5.63
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2017	-	5.00
June 30, 2018	-	5.00
Changes in Proportion and Differences between Library Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in future periods as follows:

<b><u>Year Ending Dec 31,</u></b>	<b><u>PERS</u></b>
2019	\$ 13,327.00
2020	(28,717.00)
2021	(176,638.00)
2022	(151,018.00)
2023	(48,892.00)
	<u>\$ (391,938.00)</u>

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent modified 2014 projection scale thereafter. 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).

In accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. 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.

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

**Actuarial Assumptions (Cont'd)** - Best estimates of arithmetic rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability at June 30, 2018 was 5.66% for PERS. The single blended discount rate was based on the long-term expected rate of return on pension Plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount 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 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current Plan members through 2046; therefore, the long-term expected rate of return on Plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.



**Note 4: PENSION PLANS (CONT'D)****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, 2018, the Plan's measurement date, calculated using a discount rate of 5.66%, 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:

	<b>PERS</b>		
	<b>1% Decrease (4.66%)</b>	<b>Current Discount Rate (5.66%)</b>	<b>1% Increase (6.66%)</b>
Library's Proportionate Share of the Net Pension Liability	<u>\$ 3,194,303.00</u>	<u>\$ 2,540,434.00</u>	<u>\$ 1,991,880.00</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 PFRS and additions to/deductions from PERS and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. 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 and PFRS, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.nj.gov/treasury/pensions/financial-reports.shtml>.

**Supplementary Pension Information**

In accordance with GASBS 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.

***Schedule of the Library's Proportionate Share of the Net Pension Liability - Public Employees' Retirement System (PERS) (Last Three Plan Years)***

	<b>Measurement Date Ended June 30,</b>		
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Library's Proportion of the Net Pension Liability	0.0129024810%	0.0128925210%	0.0130106813%
Library's Proportionate Share of the Net Pension Liability	\$ 2,540,432.00	\$ 3,001,173.00	\$ 3,853,391.00
Library's Covered Payroll (Plan Measurement Period)	\$ 921,448.00	\$ 921,448.00	\$ 921,448.00
Library's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	275.70%	325.70%	418.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%

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

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Library's Contractually Required Contribution	\$ 128,338.00	\$ 119,435.00	\$ 115,585.00
Library's Contribution in Relation to the Contractually Required Contribution	(128,338.00)	(119,435.00)	(115,585.00)
Library's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Library's Covered Payroll (Calendar Year)	\$ 921,448.00	\$ 921,448.00	\$ 921,448.00
Library's Contributions as a Percentage of Covered Payroll	13.93%	12.96%	12.54%

**Other Notes to Supplementary Pension Information*****Public Employees' Retirement System (PERS)*****Changes in Benefit Terms**

None

**Changes in Assumptions**

The Discount Rate changed at June 30th over the following years, 5.39% 2014, 4.90% 2015, 3.98% 2016, 5.00% 2017 and 5.66% 2018.

The Long-term Expected Rate of Return changed at June 30<sup>th</sup> over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017 and 2018.

For 2016, 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 social security wage base was set at \$118,500.00 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000.00 for 2015, increasing 3.00% per annum, compounded annually.

**Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**Plan Description and Benefits Provided** - The Library provides postretirement prescription benefits through the City of Vineland's Postemployment Benefits Program. The City provides a single employer post-employment prescription plan, which is not administered through a trust that meets the criteria in paragraph 4 of the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, and covers the following retiree population: eligible retirees who retire from active employment with the Library with at least twenty-five (25) years of service with the Library. Coverage is provided for the retirees and their dependents up to age sixty-five, providing the retirees annually certify that they have no other coverage. The Plan is administered by the City; therefore, premium payments are made directly to the insurance carriers. Library is billed its share based on actual cost incurred by the City. Plan members receiving benefits are not required to make any contributions.

**Employees Covered by Benefit Terms** - As of January 1, 2018, the most recent actuarial valuation date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	1
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	-
Active Employees	17
	<hr/>
	18
	<hr/>

**Total OPEB Liability**

The Library's total OPEB liability of \$491,834.00 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018.

**Actuarial Assumptions and Other Inputs** - The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% Annually
Salary Increases	3.00% Annually
Discount Rate	3.64%
Healthcare Cost Trend Rates	8.00% at year 1, decreasing .05% per year until year 7 to 5% and thereafter
Retirees' Share of Benefit-Related Costs	none

The discount rate was based on the S&P Municipal Bond 20 year High Grade Bond Index.

Mortality rate were based on RP-2014 projected with MP-2016.

An experience study was not performed on the actuarial assumptions used in the January 1, 2018 valuation since the Plan had insufficient data to produce a study with credible results. Mortality rates, termination rates and retirement rates were based on standard tables issued by the SOA or developed for the applicable grade of employees. The actuary has used their professional judgement in applying these assumptions to this Plan.

**Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****Changes in Total OPEB Liability**

Balance at December 31, 2017		\$	522,723.00
Changes for the Year:			
Service Cost	\$	11,734.00	
Interest Cost		18,497.00	
Benefit Payments		(29,135.00)	
Net Changes			(30,889.00)
Balance at December 31, 2018		\$	491,834.00

Changes of benefit terms reflect no increase in the retirees' share of health insurance premiums.

There were no changes in assumptions causing changes to total OPEB liability.

**Sensitivity of Total OPEB Liability to Changes in Discount Rate** - The following presents the total OPEB liability of the Library, as well as what the Library's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage -point lower or 1-percentage-point higher than the current discount rate:

	<b>1.00% Decrease (2.64%)</b>	<b>Current Discount Rate (3.64%)</b>	<b>1.00% Increase (4.64%)</b>
Total OPEB Liability	\$ 540,731.00	\$ 491,834.00	\$ 442,939.00

**Sensitivity of Total OPEB Liability to Changes in Healthcare Cost Trend Rates** - The following presents the total OPEB liability of the Library, as well as what the Library's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1.00% Decrease</b>	<b>Healthcare Cost Trend Rate</b>	<b>1.00% Increase</b>
Total OPEB Liability	\$ 444,864.00	\$ 491,834.00	\$ 547,430.00

**Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - For the year ended December 31, 2018, the Library recognized OPEB expense of \$29,135.00. As of December 31, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Changes of Assumptions	\$ -	\$ -
Difference Between Expected and Actual Experience	-	27,415.00
Contributions Subsequent to the Measurement Date	-	-
	<u>\$ -</u>	<u>\$ 27,415.00</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b><u>Year Ending Dec. 31,</u></b>	
2019	\$ (4,569.22)
2020	(4,569.22)
2021	(4,569.22)
2022	(4,569.22)
2023	(4,569.22)
Thereafter	(4,568.88)
	<u>\$ (27,415.00)</u>

**Supplementary OPEB Information**

In accordance with GASBS No. 75, the following information is also presented for the Library's OPEB 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 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****Supplementary OPEB Information (Cont'd)*****Schedule of Changes in the Library's Total OPEB Liability and Related Ratios***

	<b><u>2018</u></b>
<b>Total OPEB Liability</b>	
Service Cost	\$ 11,734.000
Interest Cost	18,497.00
Benefit Payments	(29,135.00)
Changes in Assumptions	-
Difference Between Expected and Actual Experience	<u>(31,985.00)</u>
Net Change in Total OPEB Liability	(30,889.00)
Total OPEB Liability - Beginning of Year	<u>522,723.00</u>
Total OPEB Liability - End of Year	<u><u>\$ 491,834.00</u></u>
Covered-Employee Payroll	\$ 921,957.00
Total OPEB Liability as a Percentage of Covered-Employee Payroll	53.35%

## Notes to Schedule:

Changes of Benefit Terms:  
None

Changes of Assumptions:  
Approximately \$6,822.00 is included in Benefit Payment/Contributions

**Note 6: COMPENSATED ABSENCES**

Full-time employees are entitled to fifteen paid sick leave days each year. Unused sick leave may be accumulated and carried forward to the subsequent year. Vacation days not used during the year may be carried forward; however, if the number of days to be carried to the next year exceeds five days, the approval of the Business Administrator of the City of Vineland is required.

The Vineland Public Library compensated full-time employees for unused sick leave upon retirement. The current policy provides one compensated days for every two days accumulated. There is a maximum payout of \$15,000.00.

The Library does not record accrued expenses related to compensated absences. However, it is estimated that, at December 31, 2018, accrued benefits for compensated absences are valued at \$141,811.17.

**Note 7: 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, injuries to employees, and natural disasters. The Library is covered under the City of Vineland's insurance programs. The City of Vineland has adopted plans of self-insurance for workers compensation insurance and various types of liability coverage and purchases commercial insurance for claims that exceeded the self-insurance retention limits contributed by the City. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years. The City maintains insurance for property, liability and surety bonds.

**Note 8: CONTINGENCIES**

**Grantor Agencies** - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Library expects such amount, if any, to be immaterial.

**Note 9: CONCENTRATIONS**

The Library receives a substantial amount of its support from the City of Vineland and the State of New Jersey. A significant reduction in the level of this support, if this were to occur, would have an effect on the Library's programs and activities. For the year ended December 31, 2018 the City's appropriation and State Aid equaled 94% of the Library's total revenues.

**Note 10: TAX ABATEMENTS**

The City of Vineland is authorized to enter into property tax abatement agreements for commercial and industrial structures under N.J.S.A. 40A:21-1 (Chapter 441, P.L. 1991) known as the "Five Year Exemption and Abatement Law". Under this law, municipalities may grant property tax abatements for a period of five years from the date of completion of construction for the purpose of encouraging the construction of new commercial and industrial structures.

The first calendar year following completion, 0 percent of taxes are due, and each subsequent calendar the percentage of taxes due increases by 20 percent. During the 6th calendar year, 100 percent of taxes are assessed and due. The property owner agrees that the payment in lieu of taxes shall be made to the municipality in quarterly installments on those dates when real estate tax payments are due. Failure to make timely payments shall result in interest being assessed at the highest rate permitted for unpaid taxes and a real property tax lien on the land. The Library receives 100% of its tax levy from the City and does not have any reduction in revenue as a result of these tax abatement programs.

**SUPPLEMENTARY EXHIBITS**



**VINELAND PUBLIC LIBRARY**  
Statement of Receipts and Disbursements  
Year Ended December 31, 2018

	<u>Total</u>	<u>General Fund</u>	<u>State Grant Fund</u>
Balance - January 1, 2018	\$ 370,351.00	\$ 344,026.00	\$ 26,325.00
Increased by Receipts			
City of Vineland - City Appropriation Receivable	\$ 77,122.00	\$ 77,122.00	
City of Vineland - Current Year Appropriation	1,375,349.00	1,375,349.00	
Unappropriated Reserves - Federal and State Grant Fund	26,577.00		\$ 26,577.00
Miscellaneous Revenue	50,752.54	50,752.54	
Other Local Grants/Donations	<u>20,608.61</u>	<u>20,608.61</u>	
	<u>1,550,409.15</u>	<u>1,523,832.15</u>	<u>26,577.00</u>
	1,920,760.15	1,867,858.15	52,902.00
Decrease by Disbursements:			
Budget Expenditures - General Fund	1,669,594.39	1,669,594.39	
Accounts Payable - General Fund	20,563.00	20,563.00	
Appropriated Reserves - Federal and State Grant Fund	<u>26,325.00</u>		<u>26,325.00</u>
	<u>1,716,482.39</u>	<u>1,690,157.39</u>	<u>26,325.00</u>
Balance - December 31, 2018	<u><u>\$ 204,277.76</u></u>	<u><u>\$ 177,700.76</u></u>	<u><u>\$ 26,577.00</u></u>
Analysis of Balance - December 31, 2018			
Cash - Interest Bearing	\$ 195,957.70	\$ 169,380.70	\$ 26,577.00
Investments - Certificates of Deposits	<u>8,320.06</u>	<u>8,320.06</u>	<u>-</u>
	<u><u>\$ 204,277.76</u></u>	<u><u>\$ 177,700.76</u></u>	<u><u>\$ 26,577.00</u></u>

**VINELAND PUBLIC LIBRARY**  
Statement of Reserve for State Grants Receivable  
Year Ended December 31, 2018

---

	Balance January 1, 2018	Realized as Revenue	Transferred from Reserve for State Grants - Unappropriated	Canceled	Balance December 31, 2018
State Grants:					
State Library Aid (Per Capita)	\$ -	\$ 26,325.00	\$ 26,325.00	\$ -	\$ -
Total State Grants	-	26,325.00	26,325.00	-	-
	<u>\$ -</u>	<u>\$ 26,325.00</u>	<u>\$ 26,325.00</u>	<u>\$ -</u>	<u>\$ -</u>

**VINELAND PUBLIC LIBRARY**  
Statement of Reserve for State Grants Unappropriated  
Year Ended December 31, 2018

---

	Balance January 1, 2018	Received	Transferred to Reserve for State Grants - Receivable	Balance December 31, 2018
State Grants:				
State Library Aid (Per Capita)	\$ 26,325.00	\$ 26,577.00	\$ 26,325.00	\$ 26,577.00
Total State Grants	<u>\$ 26,325.00</u>	<u>\$ 26,577.00</u>	<u>\$ 26,325.00</u>	<u>\$ 26,577.00</u>

**VINELAND PUBLIC LIBRARY**  
Statement of Reserve for State Grants Appropriated  
Year Ended December 31, 2018

	<u>Balance January 1, 2018</u>	<u>Transferred From 2018 Budget Appropriation</u>	<u>Paid or Charged</u>	<u>Returned to Grantor/ Canceled</u>	<u>Balance December 31, 2018</u>
State Grants:					
New Jersey State Library:					
State Library Aid (Per Capita)	\$ -	\$ 26,325.00	\$ 26,325.00	\$ -	\$ -
Total State Grants	<u>\$ -</u>	<u>\$ 26,325.00</u>	<u>\$ 26,325.00</u>	<u>\$ -</u>	<u>\$ -</u>

**PART 2**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

**VINELAND PUBLIC LIBRARY**  
Schedule of Findings and Recommendations  
For the Year Ended December 31, 2018

---

***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.

None.

**VINELAND PUBLIC LIBRARY**  
Summary Schedule of Prior Year Audit Findings  
and Recommendations as Prepared by Management

---

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**

None.

**VINELAND PUBLIC LIBRARY**  
Officials in Office

---

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

<u><b>Name</b></u>	<u><b>Title</b></u>
Dr. Luis Amberths	Member of the Board of Trustees, since August 14, 2018
Victor Druziako, Esq.	President of the Board of Trustees, since December 2018
Ross Stanger (Alternate for Superintendent)	President of the Board of Trustees, until December 13, 2018
Sally Goode	Vice President of the Board of Trustees, until August 2018
	Member of the Board of Trustees
Elizabeth Bermudez	Treasurer of the Board of Trustees, since December 13, 2018
	Member, Board of Trustees
	Secretary of the Board of Trustees, since December 13, 2018
Macleod Carre (Alternate for Mayor)	Member of the Board of Trustees, since April 2018
Gregory Gallo (Alternate for Mayor)	Member of the Board of Trustees, until April 2018
Maritza Gonzalez	Member of the Board of Trustees
Karen Anne Kreck	Member of the Board of Trustees
Melanie Lovisone (Alternate for Superintendent)	Member of the Board of Trustees, since September 2018
Sheena Santiago	Member of the Board of Trustees, since July 8, 2018
Brandi Grosso	Library Director



15550

**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*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

*Carol A. McAllister*

Carol A. McAllister  
Certified Public Accountant  
Registered Municipal Accountant

