

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County of Ocean,**  
**State of New Jersey)**

**Financial Statements and Supplementary Information**

**For the year ended December 31, 2017**

**(With Independent Auditor's Report thereon)**

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County of Ocean, State of New Jersey)**  
**Financial Statements and Supplementary Information**  
**For the year ended December 31, 2017**  
**(With Independent Auditor's Report thereon)**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Ocean County Library Commission  
Toms River, New Jersey 08754

### Report on the Financial Statements

We have audited the accompanying balance sheet - regulatory basis of the Ocean County Library Commission as of December 31, 2017, and the related statement of revenues, expenditures, and changes in fund balances – regulatory basis for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Ocean County Library Commission'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 accounting principles and practices prescribed by the New Jersey State Library. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the New Jersey State Library. 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 Ocean County Library Commission'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 discussed in Note 1, the Ocean County Library Commission prepares its financial statements using accounting practices prescribed by The New Jersey State Library, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the New Jersey State Library.

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 Ocean County Library Commission, a component unit of the County of Ocean, State of New Jersey, as of December 31, 2017, or the results of its operations and changes in fund balance for the year then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheet – regulatory basis of the Ocean County Library Commission, a component unit of the County of Ocean, State of New Jersey, as of December 31, 2017, and results of its operations and changes in fund balance for the year ended December 31, 2017 in conformity with accounting principles and practices prescribed by The New Jersey State Library, as described in Note 1.

## **Other Matters**

### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ocean County Library Commission’s basic financial statements. The accompanying supplementary schedules, such as the schedules of cash, schedule of added, omitted and rollback taxes receivable, and schedule of revenues and expenditures budget to actual are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary schedules are the responsibility of management and were derived from and relates 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 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 supplementary

schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

The comparative totals for December 31, 2016 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2018 on our consideration of the Ocean County Library Commission's internal control over financial reporting and 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 the 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 Ocean County Library Commission's internal control over financial reporting and compliance.

Respectfully submitted,

**HOLMAN FRENIA ALLISON, P.C.**

Rodney R. Haines  
Certified Public Accountant  
Registered Municipal Accountant  
RMA No. 498

June 22, 2018  
Toms River, New Jersey



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

To the Board of Commissioners  
Ocean County Library Commission  
Toms River, New Jersey 08754

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 audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements- regulatory basis of the Ocean County Library Commission, a component unit of the County of Ocean, State of New Jersey, as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Ocean County Library Commission’s basis financial statements, and have issued our report thereon dated June 22, 2018. Our report indicated that the Ocean County Library Commission’s financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the New Jersey State Library.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ocean County Library Commission'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 Ocean County Library Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of Ocean County Library Commission’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. We did identify certain deficiencies in internal control, described in the accompanying General Comments and Recommendations that we consider to be a significant deficiency as Finding No. 2017-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Ocean County Library Commission'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the New Jersey State Library and which is described in the accompanying General Comments and Recommendations as Finding No. 2017-001.

## **Ocean County Library Commission's Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

**HOLMAN FRENIA ALLISON, P.C.**

Rodney R. Haines  
Certified Public Accountant  
Registered Municipal Accountant  
RMA No. 498

June 22, 2018  
Toms River, New Jersey

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County of Ocean, State of New Jersey)**  
**Balance Sheet - Regulatory Basis**  
**December 31, 2017**  
**(With comparative totals for December 31, 2016)**

	<b>2017</b>	<b>2016 (Memorandum Only)</b>
<b>ASSETS</b>		
Cash with fiscal agent - general	\$ 13,362,105	\$ 12,831,500
Cash - office account	41,256	15,424
Cash - escrow	15,021	15,021
Cash - petty	803	1,007
Taxes receivable	288,020	282,689
Total assets	\$ 13,707,205	\$ 13,145,641
<b>LIABILITIES AND FUND BALANCE</b>		
Unearned revenue	\$ 5,978	\$ 115,765
Compensated absences payable	855,619	845,742
Total liabilities	861,597	961,507
Fund balance:		
Restricted general reserves (See Note 7)	5,172,243	5,297,384
Unreserved	7,673,365	6,886,750
Total fund balance	12,845,608	12,184,134
Total liabilities and fund balance	\$ 13,707,205	\$ 13,145,641

The accompanying notes to financial statements are an integral part of this statement.



**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County of Ocean, State of New Jersey)**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Regulatory Basis**  
**For the year ended December 31, 2017**  
**(With comparative totals for December 31, 2016)**

	General (Unreserved) Fund	General (Reserved) Fund	2017 Total	2016 Total (Memorandum Only)
<b>Revenues:</b>				
Per capita aid	\$ -	\$ 249,449	\$ 249,449	\$ 250,342
Dedicated tax	36,070,110	-	36,070,110	35,158,260
Fines and fees	530,311	-	530,311	469,931
Added assessment tax	288,020	-	288,020	287,709
Copier fees	44,259	-	44,259	44,776
Automation	-	5,987	5,987	-
Grant revenue	-	37,122	37,122	41,275
Donations	-	47,394	47,394	48,860
Appropriation reserves	-	2,228,916	2,228,916	2,411,173
Building improvement	-	53,734	53,734	587,594
Miscellaneous	167,277	747	168,024	191,773
Total revenues	<u>37,099,977</u>	<u>2,623,349</u>	<u>39,723,326</u>	<u>39,491,693</u>
<b>Expenditures:</b>				
Salaries	17,798,577	-	17,798,577	17,080,690
Fringe benefits	9,314,288	636,999	9,951,287	9,600,952
Automation	-	5,987	5,987	50,210
Materials	3,294,160	451,180	3,745,340	4,085,984
Programs and public relations	145,241	27,536	172,777	196,204
Professional expenses and seminars	55,456	5,773	61,229	57,032
Professional services	208,143	16,643	224,786	214,450
Administrative services	53,406	3,657	57,063	62,319
Equipment	155,781	2,726	158,507	109,032
Supplies	276,623	22,104	298,727	266,758
Maintenance - buildings and grounds	1,025,699	97,105	1,122,804	1,033,958
Maintenance - equipment and vehicles	127,398	4,826	132,224	135,798
Utilities	901,117	206,344	1,107,461	1,026,361
Technology	1,408,892	448,848	1,857,740	1,605,261
Building improvement fund	-	131,605	131,605	519,936
Brick expansion	-	6,822	6,822	48,642
Transfer to appropriation reserves	2,228,916	-	2,228,916	2,411,173
Total expenditures	<u>36,993,697</u>	<u>2,068,155</u>	<u>39,061,852</u>	<u>38,504,760</u>
Excess revenues over expenditures	106,280	555,194	661,474	986,933
Fund balance, January 1	6,886,750	5,297,384	12,184,134	11,197,201
Transfers to unreserved funds	820,335	(820,335)	-	-
Transfers to reserved funds	(140,000)	140,000	-	-
Fund balance, December 31	<u>\$ 7,673,365</u>	<u>\$ 5,172,243</u>	<u>\$ 12,845,608</u>	<u>\$ 12,184,134</u>

The accompanying notes to financial statements are an integral part of this statement.

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County Ocean, State of New Jersey)**  
**Notes to Financial Statements**  
**For the year ended December 31, 2017**

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

The financial statements are comprised of the financial transactions and records of the Ocean County Library Commission's Trust account maintained by the Treasurer of Ocean County and the cash receipts and disbursements of the Ocean County Library Commission. The Ocean County Treasurer acts in a trust capacity and handles all funds and makes all disbursements on behalf of the Ocean County Library Commission.

**A. Basis of Accounting**

The Ocean County Library Commission uses the modified accrual method of accounting as prescribed by The New Jersey State Library.

**B. Revenue Recognition**

Revenues are recognized when they become available and measurable.

**C. Expenditure Recognition**

Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is paid for goods or services through issuance of a voucher. General reserves covering unexpended appropriation reserves are created at December 31 of each year and recorded as a reservation of fund balance, except for amounts which may be cancelled by the governing body. General 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 general reserves are recorded as income.

**D. Governmental Funds Used**

General (Unreserved) Fund - Accounts for all resources except those required to be accounted for in other funds.

General (Reserved) Fund - Accounts for revenues that are Commissioner restricted to expenditures for specific purposes.

**E. Inexhaustible Collections and Books**

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the Library has not capitalized them. Accessions and deaccessions during 2017 were not significant.

**F. Cash and Cash Equivalents**

N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provision of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in the State of New Jersey.

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Cash and Cash Equivalents (continued)**

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of five percent of its 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 full amount of their deposits to the governmental units.

**G. Recent Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has recently adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The libraries in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements; and there have been no GASB pronouncements effective for the current year that have a significant impact on the Ocean County Library Commission's financial statements.

**H. Subsequent Events**

Ocean County Library Commission has evaluated subsequent events occurring after December 31, 2017 through the date of June 22, 2018, which is the date the financial statements were available to be issued.

**NOTE 2: CASH**

The Commission is governed by the deposit limitations of New Jersey state law. The deposits held at December 31, 2017, and reported at fair value are as follows:

<b>Deposits:</b>	
Demand deposits	<u>\$ 13,419,185</u>
Total deposits	<u>\$ 13,419,185</u>
<b>Reconciliation of Balance Sheet – Regulatory Basis:</b>	
Cash with fiscal agent – general	\$ 13,362,105
Cash – office account	41,256
Cash – escrow account	15,021
Cash – petty	<u>803</u>
Total	<u>\$ 13,419,185</u>

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 2: CASH (continued)**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits may not be returned. The Commission does not have a deposit policy for custodial credit risk. As of December 31, 2017, the Commission's bank balance of \$13,415,373 was insured or collateralized as follows:

Insured	\$ 287,949
Collateralized in the Commission's name under GUDPA	<u>13,127,424</u>
Total	<u>\$ 13,415,373</u>

**NOTE 3: CASH - ESCROW**

Escrow funds totaling \$15,021 at December 31, 2017 represent cash deposited with the Ocean County Library Commission for major repairs and/or replacements of equipment that may be needed at three library branches. The balances are comprised of:

	<u>2017</u>
Point Pleasant Beach	\$ 5,008
Tuckerton	5,008
Beachwood	<u>5,005</u>
	<u>\$ 15,021</u>

**NOTE 4: TAXES RECEIVABLE**

Taxes receivable represents added, omitted, and rollback taxes assessed for the 2017 tax year in Ocean County, which are due to the Commission.

**NOTE 5: COMPENSATED ABSENCES PAYABLE**

Employees of the Ocean County Library Commission are entitled to payment for unpaid vacation and sick days upon retirement. Employees are entitled to a maximum payment of \$15,000 for accrued sick days. Vacation time must be used in the year it is earned or carried forward to the next year. After the succeeding year, vacation time is lost. Compensated absences are accrued, under GASB No. 16, if the obligation relating to employees' rights to receive compensation for future absences is attributable to services already rendered by employees, the rights vest or accumulate, payment of compensation is probable, and the amount can be reasonably estimated. The Commission adopted GASB No. 16 in 1995. The amount of compensated absences payable at December 31, 2017 is \$855,619.

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 6: TRANSFERS**

The following transfers were approved to/(from) the unreserved fund balance to the reserved fund balance:

	<u><b>2017</b></u>
Library automation	\$ (140,000)
Sick pay for retirement	50,000
Building improvement fund	<u>(50,000)</u>
	<u>\$ (140,000)</u>

The following transfers were approved from the reserved fund balance to the unreserved fund balance:

	<u><b>2017</b></u>
From reserves for appropriations	<u>\$ 820,335</u>
	<u>\$ 820,335</u>

**NOTE 7: GENERAL RESERVE FUND BALANCE**

General reserve fund balance at December 31, 2017 consisted of the following:

	<u><b>2017</b></u>
Automation	\$ 234,989
Brick expansion account	53,656
Building improvement account	944,038
Donations	254,984
Endowment fund	498,475
Project 2020	70,876
Reserve	2,228,916
Sick pay at retirement	621,839
Per capita aid	249,449
Escrow	<u>15,021</u>
	<u>\$ 5,172,243</u>

**NOTE 8: PENSION OBLIGATIONS**

The Ocean County Library Commission's employees are participants in the Public Employees' Retirement System through the County of Ocean. The Ocean County Library Commission's liability for the pension plan is not reported separately from the County; therefore the following information is the pension obligation related to the County of Ocean:

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 8: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS)**

**Plan Description** - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and 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 or more years 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.

**Basis of Presentation** - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2017, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 8: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2017, the County's contractually required contribution to PERS plan was \$11,061,100.

**Components of Net Pension Liability** - At December 31, 2017, the County's proportionate share of the PERS net pension liability was \$277,943,240. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, was 1.1939962413% which was an increase of 0.0007038687% from its proportion measured as of June 30, 2016.

**Collective Balances at December 31, 2017 and December 31, 2016**

	<u>12/31/2017</u>	<u>12/30/2016</u>
Actuarial valuation date (including roll forward)	June 30, 2017	June 30, 2016
Deferred Outflows of Resources	\$ 67,842,519	\$ 97,461,966
Deferred Inflows of Resources	57,334,095	2,139,111
Net Pension Liability	277,943,240	353,418,974
County's portion of the Plan's total net pension Liability	1.19400%	1.19329%

**Pension Expense and Deferred Outflows/Inflows of Resources** - At December 31, 2017, the County's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2017 measurement date is \$20,047,557. This expense is not recognized by the County because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the County contributed \$11,061,100 to the plan in 2017.

At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 8: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 6,544,604	\$ -
Changes of Assumptions	55,995,985	55,790,693
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,892,606	-
Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions	<u>3,409,324</u>	<u>1,543,402</u>
	<u>\$ 67,842,519</u>	<u>\$ 57,334,095</u>

The County will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:



**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 8: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 8: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

<b>Year Ending</b>	<b>Amount</b>
<b><u>Dec 31,</u></b>	
2018	\$ 6,750,816
2019	10,034,075
2020	6,467,662
2021	(7,040,251)
2022	<u>(5,703,877)</u>
	<u>\$ 10,508,425</u>

**Actuarial Assumptions** - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

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

Pre-retirement 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 plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 8: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Long-Term Expected Rate of Return** - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public 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>	

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 8: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the County's proportionate share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the County's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	<b>1% Decrease <u>(4.00%)</u></b>	<b>Current Discount Rate <u>(5.00%)</u></b>	<b>1% Increase <u>(6.00%)</u></b>
County's Proportionate Share of the Net Pension Liability	<u>\$ 344,807,453</u>	<u>\$ 277,943,240</u>	<u>\$ 222,237,065</u>

**NOTE 9: POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

Pursuant to a phase-in schedule provided by the Governmental Accounting Standards Board, ("GASB"), local units with revenues in excess of \$100,000,000 are required to implement the accounting and financial reporting requirements set forth in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, beginning with calendar year 2007. The County of Ocean is one such local unit and as such, is responsible for implementing the GASB 45 reporting requirements for the period under audit.

The disclosure standards concern obligations of a local unit described as OPEB – "Other Postemployment Benefits." OPEB are non-pension benefits that a government has contractually or otherwise agreed to provide employees once they have retired. The most common OPEB are retirement health insurance coverage.

GASB45 provides standards for calculating the OPEB cost liability being incurred by the local unit. The standards are similar to standards used for calculating pension contributions wherein an actuarially calculated amount based on the demographics of potential retirees, inflation and other factors that are a part of determining pension liabilities. The standards contain three key elements:

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 9: POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)**

1. The calculation of an annual payment that reflects the current expense of paying the benefit for already retired employees, and a calculation of an amount that represents the future cost for those individuals (which may or may not be funded).
2. To recognize the costs being incurred today for payments that will be made in the future for today's employees eligible for the benefit.
3. To provide local officials, taxpayers and investors in the local units' debt obligations a more accurate picture of the potential liabilities facing the local unit.

New Jersey budget and financial reporting laws do not require local units to budget amounts that exceed their current cash cost or to reflect the long-term liability on their balance sheet. These practices are a feature of accrual accounting, not the modified cash basis used by local units. However, local units will have to calculate and disclose their liability if the liability is material to understanding the financial condition of the local unit. Ocean County's expenditures in 2009 for these types of benefits approximated 6% of total assets, which is considered to be material.

The disclosure requirements vary based on if the plan is a "cost-sharing plan" or a "sole or agent employer plan" and the number of affected employees and retirees. The County is a State Health Benefit Program Participant, which is a "cost-sharing plan." As a local unit that provides an OPEB and is a member of the State Health Benefits Program, (SHBP), the County can rely on calculations made by the SHBP and the resulting reduced disclosure responsibility. Under the GASB standard, a "cost-sharing" plan (i.e., SHBP) calculates a liability for the entire membership pool in a manner similar to the way pension obligations are calculated by the Division of Pensions and Benefits.

The local unit will not have to engage an actuary; the calculations made by the SHBP actuary fulfill this requirement. The local unit meets the required disclosure by applying SHBP information to local conditions and guiding the reader to the SHBP information to local conditions and guiding the reader to the SHBP for other information.

The following language was recommended by the State pertaining to the disclosure:

"The County of Ocean is a participant in the State of New Jersey Health Benefits Plan (SHBP). Under GASB 45, participants in a cost-sharing plan such as the New Jersey SHBP may rely on the Other Post Retirement Costs as identified by the State of New Jersey Postemployment Benefits Other Than Pension Actuarial Valuation dated August 7, 2009. As of December 31, 2013, the County of Ocean had 596 retired participants eligible to receive benefits."

No other guidance was provided on how to apply the SHBP information to local conditions. The state's actuarial valuation provides information regarding costs applicable at the local level, which includes all participants. Approximately half of all local units currently participate in the SHBP. The document provides no specific information relative to Ocean County's OPEB obligations. The actuarial valuation may be obtained by writing to:

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 9: POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)**

State of New Jersey  
 Department of the Treasury  
 Division of Pensions and Benefits  
 50 West State Street  
 Trenton, New Jersey 08625-0299

The number of eligible retirees and the annual amount of expenditures recognized by the County for postretirement healthcare for each of the last three years are as follows:

<u>Year</u>	<u># of Eligible Retirees</u>	<u>Amount Expended</u>
2016	101	\$ 1,322,850
2016	95	\$ 1,068,929
2015	93	\$ 1,059,662

**NOTE 10: COMMITMENTS**

On June 11, 2015, the Ocean County Library Commission entered into a 48-month Lease Purchase Agreement with Municipal Capital Finance to replace leased Library and Administrative copiers with new Savin copiers at a yearly cost of \$20,353. At the end of the lease, the Ocean County Library Commission will own the copiers outright. These lease liabilities are not recorded on the Commission's balance sheet and the monies will be budgeted as they come due.

The following is a schedule of the lease payments over the life of the lease as of December 31, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2018	\$19,283	\$ 1,070	\$20,353
December 31, 2019	10,024	153	10,177

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County of Ocean, State of New Jersey)**  
**Schedule of Cash with Fiscal Agent- General Account**  
**For the year ended December 31, 2017**

**Schedule I**

Balance, January 1, 2017	\$ 12,831,500
Increased by receipts:	
Grant reserves	37,122
General reserves	107,862
Budget revenues	<u>37,211,227</u>
Total receipts	<u>37,356,211</u>
Decreased by disbursements:	
Grant reserves	13,167
General reserves	2,054,987
General budget	<u>34,757,452</u>
Total disbursements	<u>36,825,606</u>
Balance, December 31, 2017	<u><u>\$ 13,362,105</u></u>

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County of Ocean, State of New Jersey)**  
**Schedule of Cash - Office Account**  
**For the year ended December 31, 2017**

**Schedule II**

Balance, January 1, 2017	\$	15,424
Increased by receipts:		
Fines and fees		357,900
Printer		124,109
Copier fees		44,259
Donations		23,072
Miscellaneous		54,563
Total receipts		603,903
Decreased by disbursements:		
Paid County Treasurer		523,059
Refunds and miscellaneous		55,012
Total disbursements		578,071
Balance, December 31, 2017	\$	41,256



**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County of Ocean, State of New Jersey)**  
**Schedule of Cash - Escrow Account**  
**For the year ended December 31, 2017**

**Schedule III**

Balance, January 1, 2017	\$ 15,021
Increased by receipts:	
Point Pleasant Beach	-
Tuckerton	-
Beachwood	-
	<hr/>
Total receipts	-
	<hr/>
Decreased by disbursements:	
Point Pleasant Beach	-
Tuckerton	-
Beachwood	-
	<hr/>
Total disbursements	-
	<hr/>
Balance, December 31, 2017	<u><u>\$ 15,021</u></u>

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County of Ocean, State of New Jersey)**  
**Schedule of Added, Omitted and Rollback Taxes Receivable**  
**For the year ended December 31, 2017**

**Schedule IV**

Balance, January 1, 2017	\$ 282,689
Increased by:	
Levy of added, omitted, and rollback taxes	288,020
Decreased by:	
Collections of added, omitted, and rollback taxes	<u>282,689</u>
Balance, December 31, 2017	<u><u>\$ 288,020</u></u>

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County of Ocean, State of New Jersey)**  
**Schedule of Revenues and Expenditures**  
**Budget to Actual - Regulatory Basis**  
**For the year ended December 31, 2017**

Schedule V

	Adopted Budget	From (Cancelled) to Reserves	Transfer to Appropriation Reserves	Actual	Variance
<b>Revenues:</b>					
Dedicated tax	\$ 36,070,110	\$ -	\$ -	\$ 36,070,110	\$ -
Fines, fees, and photocopier charges	450,000	-	-	574,570	124,570
Added assessment tax	-	-	-	288,020	288,020
Miscellaneous	-	820,335	-	167,277	(653,058)
Budgeted fund balance	4,719,649	-	-	-	(4,719,649)
	<u>41,239,759</u>	<u>820,335</u>	<u>-</u>	<u>37,099,977</u>	<u>(4,960,117)</u>
Total revenues	<u>\$ 41,239,759</u>	<u>\$ 820,335</u>	<u>\$ -</u>	<u>\$ 37,099,977</u>	<u>\$ (4,960,117)</u>
<b>Expenditures:</b>					
Salaries	\$ 20,201,814	\$ 60,000	\$ -	\$ 17,798,577	\$ 2,463,237
Fringe benefits	10,425,121	-	792,630	9,314,288	318,203
Materials	4,000,000	-	705,840	3,294,160	-
Programs and public relations	185,000	-	20,659	145,241	19,100
Professional expenses and seminars	73,500	-	12,363	55,456	5,681
Professional services	264,024	-	55,009	208,143	872
Administrative services	160,000	-	10,844	53,406	95,750
Equipment	215,000	(50,000)	2,218	155,781	7,001
Supplies	310,000	-	14,817	276,623	18,560
Maintenance - buildings and grounds	1,115,000	-	89,301	1,025,699	-
Maintenance - equipment and vehicles	188,000	-	9,127	127,398	51,475
Utilities	1,647,300	-	235,000	901,117	511,183
Technology	1,830,000	(140,000)	281,108	1,408,892	-
Contingency	415,000	-	-	-	415,000
Rate stabilization fund	200,000	-	-	-	200,000
Sick pay	10,000	(10,000)	-	-	-
	<u>41,239,759</u>	<u>(140,000)</u>	<u>2,228,916</u>	<u>34,764,781</u>	<u>4,106,062</u>
Total expenditures	<u>\$ 41,239,759</u>	<u>\$ (140,000)</u>	<u>\$ 2,228,916</u>	<u>\$ 34,764,781</u>	<u>\$ 4,106,062</u>

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County of Ocean, State of New Jersey)**  
**Board of Commissioners and Management**  
**December 31, 2017**

Susan L. Hutler	Chairperson
Ruthanne Scaturro	Vice-Chairperson
Sal Baglio	Commissioner
Henry J. Mancini	Commissioner
Christopher J. Mullins	Commissioner
Heather Richards-Barone	Commissioner
Bonnie R. Peterson	Commissioner
Susan Quinn	Director

**OCEAN COUNTY LIBRARY COMMISSION**  
**(A Component Unit of the County of Ocean, State of New Jersey)**  
**General Comments and Recommendations**  
**For the year ended December 31, 2017**

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

**Finding 2017-001:**

Criteria or specific requirement:

Entities should maintain a self-balancing set of accounts through the use of a general ledger accounting system which will facilitate reporting and preparation of financial statements.

Condition:

The Ocean County Library Commission does not maintain a complete general ledger accounting system.

Cause:

Accounting records are maintained in multiple systems that must all be reconciled together rather than one master general ledger accounting system.

Effect or potential effect:

Increases the potential that a misstatement in the Commission's financial statements that would not be timely identified.

Recommendation:

That the Commission implement a complete general ledger accounting system to facilitate reporting and preparation of financial statements.

View of responsible official:

The Commission will address the matter as part of its corrective action plan.