



**MORRISVILLE
BOROUGH PA**

**LIBRARY FUND OF THE BOROUGH OF MORRISVILLE
MORRISVILLE, PENNSYLVANIA**

FINANCIAL STATEMENTS

DECEMBER 31, 2018

LIBRARY FUND OF THE BOROUGH OF MORRISVILLE

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INDEPENDENT AUDITOR'S REPORT

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March 29, 2019

To the Borough Council
Borough of Morrisville
Morrisville, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Library Fund of the Borough of Morrisville as of and for the year ended December 31, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Borough of Morrisville's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 an opinion 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. 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 opinion.

To the Borough Council
Borough of Morrisville

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Library Fund of the Borough of Morrisville as of December 31, 2018, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Library Fund and do not purport to, and do not, present fairly the financial position of the Borough of Morrisville as of December 31, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Library Fund of the Borough of Morrisville's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and was 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 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 budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY, LLP

**LIBRARY FUND OF THE BOROUGH OF MORRISVILLE
BALANCE SHEET
DECEMBER 31, 2018**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	41,441
Delinquent real estate tax receivable		9,016
Due from general fund		428
Prepaid expenditures		2,542
		2,542

TOTAL ASSETS	\$	53,427
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**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCE**

LIABILITIES:

Accounts payable	\$	60
Unearned revenue		6,991
		6,991

TOTAL LIABILITIES		7,051
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DEFERRED INFLOWS OF RESOURCES:

Unavailable revenue - property taxes		9,016
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TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		16,067
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FUND BALANCE:

Nonspendable		2,542
Assigned		34,818
TOTAL FUND BALANCE		37,360

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$	53,427
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The accompanying notes are an integral part of these financial statements.

**LIBRARY FUND OF THE BOROUGH OF MORRISVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

REVENUES:	
Real estate taxes	\$ 185,059
Rent and interest income	808
Intergovernmental revenue	30,725
Miscellaneous revenues	<u>9,523</u>
TOTAL REVENUES	<u>226,115</u>
EXPENDITURES:	
Culture - recreation	<u>218,936</u>
CHANGE IN FUND BALANCE	7,179
FUND BALANCE, BEGINNING OF YEAR	<u>30,181</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 37,360</u></u>

The accompanying notes are an integral part of these financial statements.

LIBRARY FUND OF THE BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Borough of Morrisville ("the Borough"), Bucks County, Pennsylvania, operates under the Commonwealth of Pennsylvania Borough Code Act of May 29, 1935, as amended. The Borough has a Council - Mayoral form of government.

The accompanying financial statements have been prepared to comply with the regulatory requirements of the Pennsylvania Office of Commonwealth Libraries, Bureau of Library Development, Division of Subsidies and Grants. Such statements present the financial position of only the Library Fund of the Borough of Morrisville as of December 31, 2018, the results of operations for the year then ended, and the respective budgetary comparison schedule. Accordingly, they do not present the financial position or the result of operations of the Borough.

Basis of Accounting

The Library Fund of the Borough of Morrisville ("the Library Fund") prepares its financial statements on the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the liability is incurred and measurable.

Use of Estimates

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

Real Estate Taxes

In accordance with Ordinance Number 1020, the Borough levied real estate taxes for the calendar year 2018 in the total amount of 46.85 mills, of which the Library Fund receives 3.00 mills.

Real estate taxes paid by April 30 are subject to a two percent discount and after June 30 are subject to a 10 percent penalty. Delinquent real estate taxes are generally liened by January 1 of the following year.

LIBRARY FUND OF THE BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred Inflows of Resources

In addition to liabilities, the balance sheet includes a separate section for deferred inflows of resources. This separate financial statement element represents an addition to fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then.

The Library Fund reports a deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. The Library Fund also defers revenue recognition with resources that have been received but not yet earned. At the end of the year, deferred inflows of resources reported in the Library Fund resulted from delinquent property taxes receivable.

Stewardship, Compliance, and Accountability

A. *Compliance with Finance-related Legal and Contractual Provisions*

The Borough's Library Fund has no material violations of finance-related legal and contractual provisions.

B. *Deficit Fund Balance or Retained Earnings of Individual Funds*

There is no fund balance deficit in the Borough's Library Fund.

C. *Budgetary Information*

The Library Fund's budget is adopted on a modified cash basis of accounting. All annual appropriations lapse at fiscal year-end.

Borough Council each year, at least thirty (30) days prior to adoption of the annual budget, begins preparation of a proposed budget for the Library Fund for the fiscal year, which commences on the first day of January of each year, and by resolution appropriates, out of the revenues available for the year, the specific sums required as shown by the budget as finally adopted. The total appropriation shall not exceed the revenues estimated as available for the fiscal year. All annual appropriations lapse at year end.

Upon preparation of the proposed budget, Borough Council gives public notice by advertisement in at least one newspaper of general circulation in the Borough that the proposed budget will be available for public inspection. After the budget has been available for public inspection for twenty (20) days, Borough Council adopts the budget not later than the 31st day of December.

LIBRARY FUND OF THE BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Borough Council may at any time by resolution make supplemental appropriations for any lawful purposes from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including the proceeds of any borrowing authorized by law. There were no supplemental appropriations during the year.

Budgeted amounts are reported as originally adopted. Unexpended budget amounts lapse at the end of the year. Borough Council may take specific action to reserve or designate fund balances.

During the month of January, following any municipal election, Borough Council may amend the budget and levy and tax rate to conform to its amended budget. Any amended budget must be adopted by Borough Council on or before the 15th day of February.

Fund Balance

Fund balance is classified as applicable, as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Borough Council. The Council is the highest level of decision-making authority for the Library Fund. Commitments may be established, modified, or rescinded only through resolutions approved by the Borough Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Borough Manager may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Library Fund considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Library Fund considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Council or Borough Manager have provided otherwise in their commitment or assignment actions.

LIBRARY FUND OF THE BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

NOTE 2 CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the Library Fund's deposits may not be returned. The Library Fund does not have a policy for custodial credit risk on deposits. At December 31, 2018, the carrying amount of the Library Fund's deposits was \$41,441, and the bank balance was \$41,441. All of the bank balance, \$41,441 was covered by federal depository insurance at December 31, 2018.

NOTE 3 INTERGOVERNMENTAL REVENUE

The Library Fund applies and receives state aid funds from the state of Pennsylvania on an annual basis. To be eligible, public libraries must meet standards relating to structure, administration, and library service. The standards are described in the Library Code of 1961 (P.L. 324), 24 PA C.S. Section 4201 et seq. and in Title 22 of the Pennsylvania Code Chapters 131 - 143. For the year ended December 31, 2018, the intergovernmental revenue was in the amount of \$30,725.

NOTE 4 UNEARNED AND UNAVAILABLE REVENUE

During 2008, the Library Fund received an Opportunity Online Hardware Phase I Grant in the amount of \$13,650 to purchase computer equipment. The matching requirement of the Phase I Grant was 25 percent or \$4,550. During 2010, the Library Fund received the Phase II Grant in the amount of \$9,100, of which the matching requirement was 50 percent or \$9,100. The total grant funding received totaled \$22,750 under Phase I and Phase II. Through December 31, 2018, the Library Fund had purchased \$15,759 of computer equipment, not including its matching portion. This left a balance of \$6,991 under the grants for the Library Fund to purchase additional computer-related equipment, not including its matching portion.

As of December 31, 2018, the Library Fund had \$9,016 of delinquent taxes receivable. All \$9,016 of this amount is considered to be unavailable revenue.

NOTE 5 RISK MANAGEMENT

The Library Fund is subject to risk of loss from employee risks, property damage, and personal injury. The Library Fund lowers these risks through the purchase of commercial insurance.

NOTE 6 SUBSEQUENT EVENTS

The Library has evaluated all subsequent events through March 29, 2019, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**LIBRARY FUND OF THE BOROUGH OF MORRISVILLE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original Appropriated Budget	Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Favorable (Unfavorable) Variance
REVENUES:				
Real estate taxes	\$ 179,899	\$ 179,899	\$ 185,059	\$ 5,160
Rent and interest income	420	420	808	388
Intergovernmental revenue	30,000	30,000	30,725	725
Miscellaneous revenues	<u>7,750</u>	<u>7,750</u>	<u>9,523</u>	<u>1,773</u>
TOTAL REVENUES	218,069	218,069	226,115	8,046
EXPENDITURES:				
Culture - recreation	<u>247,204</u>	<u>247,204</u>	<u>218,936</u>	<u>28,268</u>
CHANGE IN FUND BALANCE	(29,135)	(29,135)	7,179	36,314
FUND BALANCES, BEGINNING OF YEAR	<u>30,181</u>	<u>30,181</u>	<u>30,181</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,046</u>	<u>\$ 1,046</u>	<u>\$ 37,360</u>	<u>\$ 36,314</u>

The accompanying notes are an integral part of these financial statements.