

TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
(A Component Unit of the Township of Montclair)

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2019 AND 2018

TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY

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TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
COUNTY OF ESSEX
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
RALPH M. PICONE, III, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Township of Montclair Free Public Library
Montclair, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the Township of Montclair Free Public Library a component unit of the Township of Montclair, as of December 31, 2019 and 2018, and the related statements of revenues, expenditures and changes in fund balance - regulatory basis, for the years then ended and the related notes to the financial statements.

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 accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 the audit requirements 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.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Township of Montclair Free Public Library on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township of Montclair Free Public Library as of December 31, 2019 and 2018, or changes in financial position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the Township of Montclair Free Public Library as of December 31, 2019 and 2018 and the results of operations and changes in fund balance – regulatory basis for the years then ended in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information


Our audit was conducted for the purpose of forming an opinion on the financial statements of the Township of Montclair Free Public Library as a whole. The supplementary schedules listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Township of Montclair Free Public Library.

The supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2020 on our consideration of the Township of Montclair Free Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of Montclair Free 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 Township of Montclair Free Public Library's internal control over financial reporting and compliance.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
September 25, 2020

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
AS OF DECEMBER 31, 2019 AND 2018**

	Balance, December 31, <u>2019</u>	Balance, December 31, <u>2018</u>
ASSETS		
Cash	\$ 951,659	\$ 1,088,347
Prepaid Expense	<u>593</u>	<u>-</u>
Total Assets	<u>\$ 952,252</u>	<u>\$ 1,088,347</u>
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts Payable	\$ 69,978	\$ 84,614
Payroll Deductions Payable	36,897	33,252
Reserve for Unrestricted State Aid	16,504	16,487
Reserve for Unemployment	<u>26,790</u>	<u>34,623</u>
Total Current Liabilities	<u>150,169</u>	<u>168,976</u>
Fund Balance		
Restricted		
Grant	65,212	74,559
Endowment	270,434	255,456
Capital Improvement	76,593	76,593
Unrestricted	<u>389,844</u>	<u>512,763</u>
Total Fund Balance	<u>802,083</u>	<u>919,371</u>
Total Liabilities and Fund Balance	<u>\$ 952,252</u>	<u>\$ 1,088,347</u>

The Notes to the Financial Statements are an Integral Part of this Statement

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
OPERATING FUND**

	<u>Year 2019</u>	<u>Year 2018</u>
REVENUES		
Township Appropriation	\$ 3,418,093	\$ 3,418,093
State Aid	16,504	16,487
Fines, Fees and Miscellaneous	95,287	71,725
Donations	8,815	18,829
Adult School Tuition	271,719	243,037
Adult School Other	19,271	74,520
Interest	<u>1,568</u>	<u>703</u>
 Total Revenues	 <u>3,831,257</u>	 <u>3,843,394</u>
 EXPENDITURES		
Salary & Wages	1,965,125	1,908,520
Pension/Insurance	703,551	672,212
Other Expenses	1,285,500	1,226,501
Other - Non-Budgeted Capital Improvements	<u>-</u>	<u>22,460</u>
 Total Expenditures	 <u>3,954,176</u>	 <u>3,829,693</u>
 Excess (Deficiency) of Revenues over (under) Expenditures	 (122,919)	 13,701
 Fund Balance, January 1	 <u>589,356</u>	 <u>575,655</u>
 Fund Balance, December 31	 <u>\$ 466,437</u>	 <u>\$ 589,356</u>
 Analysis of Fund Balance		
Restricted	\$ 76,593	\$ 76,593
Unrestricted	<u>389,844</u>	<u>512,763</u>
	 <u>\$ 466,437</u>	 <u>\$ 589,356</u>

The Notes to the Financial Statements are an Integral Part of this Statement

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
GRANT FUND**

	<u>Year 2019</u>	<u>Year 2018</u>
REVENUES		
Donations	\$ 70,545	\$ 76,862
Interest	<u>144</u>	<u>82</u>
Total Revenues	<u>70,689</u>	<u>76,944</u>
EXPENDITURES		
Other - Non-Budgetary	<u>80,036</u>	<u>41,330</u>
Total Expenditures	<u>80,036</u>	<u>41,330</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(9,347)	35,614
Restricted Fund Balance, January 1	<u>74,559</u>	<u>38,945</u>
Restricted Fund Balance, December 31	<u>\$ 65,212</u>	<u>\$ 74,559</u>

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
ENDOWMENT FUND**

	<u>Year 2019</u>	<u>Year 2018</u>
REVENUES		
Donations	\$ 17,510	\$ 905
Interest	<u>1,285</u>	<u>-</u>
Total Revenues	<u>18,795</u>	<u>905</u>
EXPENDITURES		
Other - Non-Budgetary	<u>3,817</u>	<u>-</u>
Total Expenditures	<u>3,817</u>	<u>-</u>
Excess of Revenues over Expenditures	14,978	905
Restricted Fund Balance, January 1	<u>255,456</u>	<u>254,551</u>
Restricted Fund Balance, December 31	<u>\$ 270,434</u>	<u>\$ 255,456</u>

NOTES TO FINANCIAL STATEMENTS

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Montclair Free Public Library was incorporated under R.S. 40:54-1 and operates under a Board of Trustees appointed by the Mayor and Council of the Township of Montclair. The financial statements of the Township of Montclair Free Public Library include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Montclair Free Public Library.

GASB requires the financial reporting entity to include both the primary government and those component units. Component units are legally separate organizations for which the Library is financially accountable or other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Library is financially accountable to the Township of Montclair (the "Township") since the Township appoints a voting majority of the Library's board, and (1) the Township is able to significantly influence the programs and services performed or provided by the Library; or (2) the Township is legally entitled to or can otherwise access the Library's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the Library; or the Township is obligated for the debt of the Library. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Library is a component unit of the Township.

B. Description of Regulatory Basis of Accounting

The financial statements of the Township of Montclair Free Public Library (the "Library") have been prepared in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Library accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The regulatory basis of accounting is the standard method of accounting practiced by public libraries throughout the State of New Jersey.

The Governmental Accounting Standards Board (GASB) is the recognized standard setting body for establishing governmental generally accepted accounting and financial reporting principles. GASB has 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 library does not prepare financial statements in accordance with GAAP and thus does not comply with all the GASB pronouncements.

C. Basis of Presentation – Financial Statements

The Library uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Library functions or activities.

The Library has the following funds:

Unrestricted Funds:

Operating Fund – Resources and expenditures for library operations of a general nature, including Federal and State grants for operation. This fund also includes the Adult School, which is an expansion of the Library's lifelong learning program and is maintained in a separate account to record the revenues (Tuition and Grants) and expenditures for the various run programs.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Restricted Funds:

Grant Fund – is to be used for various grantor restricted purposes to aid and benefit the Library.

Endowment Fund – is to be used for donor restricted purposes for the acquisition of books, periodicals and other media.

Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements to be in accordance with GAAP. The Library presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transaction or events for recognition in the financial statements.

A modified accrual basis of accounting is followed by the Township of Montclair Free Public Library. Under this method of accounting revenues, except for the Township contribution and State/Federal Aid, are recognized when received and expenditures are recorded, when incurred. The accounting principles and practices prescribed for libraries by the Division differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Cash and Investments - Cash includes cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the library. Investments are stated at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. GAAP requires investments be reported at fair value.

Prepaid Items – Certain payments to vendors or other governments reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventories of Supplies and Books - The costs of inventories of supplies and books are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the balance sheet at year end.

General Fixed Assets – Property and equipment purchased by the Library are recorded as expenditures at the time of purchase and are not capitalized. A general fixed assets account group has not been established to account for property and equipment purchased by the Library.

Land – The Library has a five percent ownership in undeveloped land located in Estell Manor New Jersey with a value of \$32,372 per the latest tax return.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Compensated Absences – Obligations for unused vested accumulated sick pay and salary related payments have been accrued through the establishment of a liability subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as long-term obligation in the government-wide financial statements.

Fund Balance – Restricted fund balances are created to identify the portion of fund balance that is available for future or restricted expenditures.

Operating Fund

Restricted for Capital Improvements – This restriction was created to fund future capital expenditures.

Revenues – Revenues, except for the Township contribution, State/Federal Aid and certain quasi-governmental revenues, are recognized on a cash basis. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

State Library Revenue Aid – Decisions on the use and expenditure of per capita State Library Aid rests with the Board of Trustees of the Library. The aid is received on an annual basis, usually in November. It is the Board's policy to hold the current year's State Aid as a reserve in the liability section of the balance sheet until the succeeding year where it is included as part of the support for that year's operation. The only restriction placed on the use of State Library Aid is that it must be expended within two years of receipt.

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order. Outstanding encumbrances at December 31, are reported as a cash liability (accounts payable) in the financial statements. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable.

Contributed Services - At various times during the year, volunteers perform services for the Library without remuneration. The fair value of these costs is not reported on the financial statements. GAAP requires the fair value of these costs to be reported as a revenue and expenditure on the financial statements.

Reclassifications – Certain reclassifications may have been made to the December 31, 2018 balances to conform to the December 31, 2019 presentation.

NOTE 2 CASH DEPOSITS AND INVESTMENTS

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

Deposits

The Library's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Library is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by FDIC.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2019 and 2018, the book value of the Library's deposits were \$951,659 and \$1,088,347 and bank balances of the Library's cash and deposits amounted to and \$963,040 and \$1,117,113. The Library's deposits which are displayed on the balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2019</u>	<u>2018</u>
Insured	<u>\$963,040</u>	<u>\$1,117,113</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Library does not have a formal policy for custodial credit risk. As of December 31, 2019 and 2018, the Library's bank balances were not exposed to custodial credit risk.

Investments

The Library is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law, " (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements or the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2019 and 2018, the Library had no investments

NOTE 3 ACCUMULATED SICK AND VACATION PAY

The Library permits employees to accrue a limited amount of unused vacation and sick pay, which may be paid upon retirement or death (within certain limitations).

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$86,521 and \$93,887 at December 31, 2019 and 2018. This amount, which is considered material to the financial statements, is not reported either as an expenditure or liability.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 EMPLOYEE RETIREMENT SYSTEM

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Library employees who are eligible for pension coverage.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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, if applicable, vest after 25 years of service or under the disability provisions of 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 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 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th 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 tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members 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 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 a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Library employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj.us/treasury/doinvest.

Collective Net Pension Liability

The collective net pension liability of the participating employers for PERS at June 30, 2019 and 2018 is \$18.1 billion and \$19.7 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 56.27% and 53.60%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018, respectively.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2018 and 2017 PERS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension system selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the retirement systems requires employee contributions for 2018 and 2017 based on 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee's annual compensation.

For PERS, which is a cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Library for 2019, 2018 and 2017 were equal to the required contributions.

During the years ended December 31, 2019, 2018 and 2017, the Library, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

	<u>PERS</u>
2019	\$ 204,188
2018	221,192
2017	251,839

In addition for the years ended December 31, 2019, 2018 and 2017 the Library contributed for long-term disability insurance premiums (LTDI) \$1,281, \$1,934 and \$1,101, respectively for PERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The regulatory basis of accounting requires participating employers in PERS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal years ended June 30, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS)

At December 31, 2019 and 2018, the Library reported a liability of \$3,786,176 and \$4,041,875, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Library proportionate share 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 governmental entities, actuarially determined. As of the measurement date of June 30, 2019, the Library's proportionate share was .02101 percent, which was an increase of .00048 percent from its proportionate share measured as of June 30, 2018 of .02053 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Library's pension expense to be \$284,478 and \$311,935, respectively, for PERS based on the actuarial valuations which are more than the actual contributions reported in the Library's financial statements of \$204,188 and \$221,192, respectively. At December 31, 2019 and 2018, the Library's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Library's financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 67,957	\$ 16,726	\$ 77,079	\$ 20,841
Changes of Assumptions	378,064	1,314,170	666,034	1,292,377
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		59,766		37,913
Changes in Proportion and Differences Between Library Contributions and Proportionate Share of Contributions	<u>713,008</u>	<u>441,801</u>	<u>920,603</u>	<u>650,234</u>
Total	<u>\$ 1,159,029</u>	<u>\$ 1,832,463</u>	<u>\$ 1,663,716</u>	<u>\$ 2,001,365</u>

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (171,993)
2021	(171,993)
2022	(171,994)
2023	(138,565)
2024	(18,889)
Thereafter	<u>-</u>
	<u>\$ (673,434)</u>

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Library's total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026	2.00-6.00% Based on Years of Service	1.65-4.15% Based on Age
Thereafter	3.00%-7.00% Based on Years of Service	2.65%-5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub-2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 and July 1, 2011 to June 30, 2014, respectively.

TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	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%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
Private Credit	6.00%	7.92%	-	-
Real Estate	7.50%	8.33%	-	-
Private Equity	12.00%	10.85%	-	-

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.28%
2018	June 30, 2018	5.66%

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

	<u>2019</u>	<u>2018</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2057	Through June 30, 2046
Municipal Bond Rate *	From July 1, 2057 and Thereafter	From July 1, 2046 and Thereafter

* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, respectively. The source is 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.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2019 and 2018 calculated using the discount rate of 6.28% and 5.66%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.28% and 4.66%, respectively or 1-percentage-point higher 7.28% and 6.66%, respectively than the current rate:

	1% Decrease <u>(5.28%)</u>	Current Discount Rate <u>(6.28%)</u>	1% Increase <u>(7.28%)</u>
<u>2019</u>			
Library's Proportionate Share of the PERS Net Pension Liability	\$ <u>4,782,556</u>	\$ <u>3,786,176</u>	\$ <u>2,946,585</u>
	1% Decrease <u>(4.66%)</u>	Current Discount Rate <u>(5.66%)</u>	1% Increase <u>(6.66%)</u>
<u>2018</u>			
Library's Proportionate Share of the PERS Net Pension Liability	\$ <u>5,082,192</u>	\$ <u>4,041,875</u>	\$ <u>3,169,115</u>

The sensitivity analysis was based on the proportionate share of the Library's net pension liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Library's net pension liability was not provided by the pension system.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 5 RISK MANAGEMENT

The Township of Montclair maintains insurance policies which cover the Library as well. The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission, injuries to employees; and natural disasters. Health benefits are provided to employees through the State of New Jersey Health Benefits Plan.

SUPPLEMENTARY SCHEDULES

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

Balance, January 1, 2019		\$ 1,088,347
Increased by Receipts:		
Municipal Appropriation	\$ 3,418,093	
State Aid - Reserve for Unrestricted State Aid	16,504	
Fines, Fees and Miscellaneous	44,287	
Donations		
Operating Fund	8,815	
Grant Fund	70,545	
Endowment Fund	17,510	
Adult School - Tuition	271,719	
Adult School - Other	19,271	
Interest		
Operating Fund	1,568	
Grant Fund	144	
Endowment Fund	1,285	
		<u>3,869,741</u>
		4,958,088
Decreased by Disbursements:		
2019 Operating Budget	1,199,018	
Payroll Deductions Payable	2,665,031	
Prepaid Expenses	593	
Other - Non-Budgetary		
Grant Fund	80,036	
Endowment Fund	3,817	
Reserve for Unrestricted State Aid	16,487	
Reserve for Unemployment	7,833	
Accounts Payable	33,614	
		<u>4,006,429</u>
Balance, December 31, 2019		<u>\$ 951,659</u>

Analysis of Balance, December 31, 2019

Operating Account, TD Bank	\$ 271,378
Payroll Agency Account, TD Bank	36,897
Grant Fund Account, TD Bank	65,212
Unemployment Account, TD Bank	26,790
Endowments, Memorials and Gifts Account, TD Bank	270,434
Adult School Bank Account, TD Bank	280,648
Petty Cash	<u>300</u>
Balance, December 31, 2019	<u>\$ 951,659</u>

SCHEDULE B

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
STATEMENT OF 2019 BUDGET REVENUES - OPERATING**

	<u>Budget (Memo)</u>	<u>Realized</u>	<u>Excess or (Unrealized)</u>
REVENUES			
Municipal Appropriation	\$ 3,418,093	\$ 3,418,093	
State Aid	16,000	16,504	\$ 504
Fines, Fees and Miscellaneous	35,000	95,287	60,287
Donations	170,000	8,815	(161,185)
Adult School - Tuition	270,000	271,719	1,719
Adult School - Other	4,000	19,271	15,271
Interest	-	1,568	1,568
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 3,913,093	\$ 3,831,257	\$ (81,836)
	Cash Receipts	\$ 3,780,257	
	Cancelled Accounts Payable	51,000	
		<u> </u>	
		\$ 3,831,257	

SCHEDULE C

STATEMENT OF 2019 BUDGET EXPENDITURES - OPERATING

	<u>Budget (Memo)</u>	<u>Paid or Charged</u>	<u>(Deficit) or Unexpended Balance</u>
EXPENDITURES			
Salary & Wages	\$ 2,083,896	\$ 1,965,125	\$ 118,771
Pension & Benefits	747,866	703,551	44,315
Library Materials			
Books	210,000	164,164	45,836
Audiovisual	25,000	33,424	(8,424)
Subscriptions	16,000	11,218	4,782
Databases	55,000	60,750	(5,750)
Programs			
Youth Programs	20,000	17,513	2,487
Adult Programs	15,000	3,992	11,008
Adult School	210,000	194,755	15,245
Professional Contracted Services	137,964	89,920	48,044
Miscellaneous	380,860	68,643	312,217
Facilities			
Maintenance	220,000	242,078	(22,078)
Furnishings and Equipment	43,176	41,739	1,437
Insurance	43,000	35,459	7,541
Utilities	140,000	174,742	(34,742)
Telecommunications	6,682	147,103	(140,421)
Capital Improvements	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 4,354,444	\$ 3,954,176	\$ 400,268

Analysis of Budget

Local and State Revenues	\$ 3,913,093	
Fund Balance	441,351	
	<u> </u>	
	\$ 4,354,444	
	Cash Disbursements	\$ 1,199,018
	Reserve for Unrestricted State Aid	16,504
	Payroll Deductions Payable	2,668,676
	Accounts Payable	69,978
		<u> </u>
		\$ 3,954,176

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
STATEMENT OF PREPAID EXPENSES**

SCHEDULE D

Increased by:	
Cash Disbursements	\$ <u>593</u>
Balance, December 31, 2019	\$ <u>593</u>

STATEMENT OF ACCOUNTS PAYABLE

SCHEDULE E

Balance, January 1, 2019	\$ 84,614
Increased by:	
Charges to 2019 Appropriations	<u>69,978</u>
	154,592
Decreased by:	
Cash Disbursements	\$ 33,614
Cancelled	<u>51,000</u>
	<u>84,614</u>
Balance, December 31, 2019	\$ <u>69,978</u>

STATEMENT OF PAYROLL DEDUCTIONS PAYABLE

SCHEDULE F

Balance, January 1, 2019	\$ 33,252
Increased by:	
Charges to 2019 Appropriations	<u>2,668,676</u>
	2,701,928
Decreased by:	
Cash Disbursements	<u>2,665,031</u>
Balance, December 31, 2019	\$ <u>36,897</u>

STATEMENT OF RESERVE FOR UNRESTRICTED STATE AID

SCHEDULE G

Balance, January 1, 2019	\$ 16,487
Increased by:	
Cash Receipts	<u>16,504</u>
	32,991
Decreased by:	
Cash Disbursements	<u>16,487</u>
Balance, December 31, 2019	\$ <u>16,504</u>

STATEMENT OF RESERVE FOR UNEMPLOYMENT

SCHEDULE H

Balance, January 1, 2019	\$ 34,623
Decreased by:	
Cash Disbursements	<u>7,833</u>
Balance, December 31, 2019	\$ <u>26,790</u>



LERCH, VINCI & HIGGINS, LLP

**CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS**

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GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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MARK SACO, CPA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

**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

Honorable President and Members
of the Board of Trustees
Township of Montclair Free Public Library
Montclair, New Jersey

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 Township of Montclair Free Public Library as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2020. Our report on the financial statements – regulatory basis was modified to indicate that the 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 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, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Montclair Free 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 opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Township of Montclair Free Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Montclair Free 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 Library's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Montclair Free 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.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Township of Montclair Free Public Library in the section of this report of audit entitled, "Comments and Recommendations".

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 Township of Montclair Free Public Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township of Montclair Free Public Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
September 25, 2020

TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY

**GOVERNMENT AUDITING STANDARDS AND
COMMENTS AND RECOMMENDATIONS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY

GENERAL COMMENTS

Finding – Our audit indicated that a policy related to the approval of employee salaries and salary increases as included in the annual budget has not been established.

Recommendation – Policy be considered whereby all employee salaries as budgeted and recommended by the Executive Director are considered approved.

Finding – The audit revealed the payroll account has approximately \$20,000 in the excess funds.

Recommendation – Excess funds in the payroll account be cleared of record.

Finding – We noted certain employees appear eligible for enrollment in the Defined Contribution Retirement Program (“DCRP”) that were not enrolled as of the date of our audit.

Recommendation – A review be made of all employees to determine their eligibility for enrollment in the Defined Contribution Retirement System (“DCRP”).

TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY

RECOMMENDATIONS

- * 1. Policy be considered whereby all employee salaries as budgeted and recommended by the Executive Director are considered approved.
- * 2. Excess funds in the payroll account be cleared of record.
- 3. A review be made of all employees to determine their eligibility for enrollment in the Defined Contribution Retirement System ("DCRP").

A review was performed on all prior year's recommendations. The Library has taken corrective action on all prior year recommendations except those denoted by an asterisk (*).

This report is intended solely for the use of the Board of Trustees and should not be used for any other purpose.

Should any question arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398