

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

**REPORT OF AUDIT**

**FOR THE YEARS ENDED**

**DECEMBER 31, 2020 AND 2019**

# **TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1-3
<b><u>EXHIBITS</u></b>	
L Comparative Balance Sheets – Regulatory Basis – At December 31, 2020 and 2019	4
L-1 Comparative Statements of Revenues, Expenditures and Changes in Fund Balance - Regulatory Basis – for the Years Ended December 31, 2020 and 2019 – Operating Fund	5
L-2 Comparative Statements of Revenues, Expenditures and Changes in Fund Balance - Regulatory Basis – for the Years Ended December 31, 2020 and 2019 – Grant Fund	6
L-3 Comparative Statements of Revenues, Expenditures and Changes in Fund Balance - Regulatory Basis – for the Years Ended December 31, 2020 and 2019 – Endowment Fund	7
Notes to Financial Statements	8-21
<b><u>Supplementary Schedules</u></b>	
<b><u>SCHEDULES</u></b>	
A Statement of Cash Receipts and Disbursements	22
B Statement of 2020 Budget Revenues - Operating	23
C Statement of 2020 Budget Expenditures - Operating	23
D Due from the Township	24
E Statement of Prepaid Expenses	24
F Statement of Accounts Payable	24
G Statement of Payroll Deductions Payable	25
H Statement of Reserve for Unrestricted State Aid	25
I Statement of Reserve for Unemployment	25
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	26-27
General Comments	28
Recommendations	29

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**  
**COUNTY OF ESSEX**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**



# 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  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA  
CHRISTOPHER M. VINCI, CPA  
CHRISTINA CUIFFO, 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019 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.

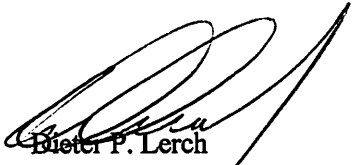
The supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in 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 July 20, 2021 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  
July 20, 2021

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
AS OF DECEMBER 31, 2020 AND 2019**

	Balance, December 31, <u>2020</u>	Balance, December 31, <u>2019</u>
<b>ASSETS</b>		
Cash	\$ 792,939	\$ 951,659
Due from the Township	31,920	-
Prepaid Expense	<u>695</u>	<u>593</u>
<b>Total Assets</b>	<u><b>\$ 825,554</b></u>	<u><b>\$ 952,252</b></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 51,343	\$ 69,978
Payroll Deductions Payable	30,208	36,897
Reserve for Unrestricted State Aid	16,323	16,504
Reserve for Unemployment	<u>24,063</u>	<u>26,790</u>
<b>Total Current Liabilities</b>	<u>121,937</u>	<u>150,169</u>
<b>Fund Balance</b>		
Restricted		
Grant	62,684	65,212
Endowment	318,465	270,434
Capital Improvement	76,593	76,593
Unrestricted	<u>245,875</u>	<u>389,844</u>
<b>Total Fund Balance</b>	<u>703,617</u>	<u>802,083</u>
<b>Total Liabilities and Fund Balance</b>	<u><b>\$ 825,554</b></u>	<u><b>\$ 952,252</b></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, 2020 AND 2019  
OPERATING FUND**

	<u>Year 2020</u>	<u>Year 2019</u>
<b>REVENUES</b>		
Township Appropriation	\$ 3,015,910	\$ 3,418,093
State Aid	16,504	16,504
Fines, Fees and Miscellaneous	13,968	95,287
Donations	-	8,815
Adult School Tuition	93,238	271,719
Adult School Other	5,305	19,271
Interest	468	1,568
<b>Total Revenues</b>	<u>3,145,393</u>	<u>3,831,257</u>
<b>EXPENDITURES</b>		
Salary & Wages	1,817,919	1,965,125
Pension/Insurance	691,921	703,551
Other Expenses	779,522	1,285,500
<b>Total Expenditures</b>	<u>3,289,362</u>	<u>3,954,176</u>
Deficiency of Revenues Under Expenditures	(143,969)	(122,919)
Fund Balance, January 1	<u>466,437</u>	<u>589,356</u>
Fund Balance, December 31	<u>\$ 322,468</u>	<u>\$ 466,437</u>
<b>Analysis of Fund Balance</b>		
Restricted	\$ 76,593	\$ 76,593
Unrestricted	<u>245,875</u>	<u>389,844</u>
	<u>\$ 322,468</u>	<u>\$ 466,437</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, 2020 AND 2019  
GRANT FUND**

	<u>Year 2020</u>	<u>Year 2019</u>
<b>REVENUES</b>		
Donations	\$ 8,945	\$ 70,545
Interest	<u>4</u>	<u>144</u>
<b>Total Revenues</b>	<u>8,949</u>	<u>70,689</u>
<b>EXPENDITURES</b>		
Other - Non-Budgetary	<u>11,477</u>	<u>80,036</u>
<b>Total Expenditures</b>	<u>11,477</u>	<u>80,036</u>
Deficiency of Revenues Under Expenditures	(2,528)	(9,347)
Restricted Fund Balance, January 1	<u>65,212</u>	<u>74,559</u>
Restricted Fund Balance, December 31	<u>\$ 62,684</u>	<u>\$ 65,212</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, 2020 AND 2019  
ENDOWMENT FUND**

	<u>Year 2020</u>	<u>Year 2019</u>
<b>REVENUES</b>		
Donations	\$ 157,220	\$ 17,510
Interest	<u>432</u>	<u>1,285</u>
Total Revenues	<u>157,652</u>	<u>18,795</u>
<b>EXPENDITURES</b>		
Other - Non-Budgetary	<u>109,621</u>	<u>3,817</u>
Total Expenditures	<u>109,621</u>	<u>3,817</u>
Excess of Revenues over Expenditures	48,031	14,978
Restricted Fund Balance, January 1	<u>270,434</u>	<u>255,456</u>
Restricted Fund Balance, December 31	<u>\$ 318,465</u>	<u>\$ 270,434</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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, 2020 AND 2019**

**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.

**Comparative Data** - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Library's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

**Reclassifications** – Certain reclassifications may have been made to the December 31, 2019 balances to conform to the December 31, 2020 presentation.

**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.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**Land** – The Library has a five percent ownership in undeveloped land located in Estell Manor New Jersey with a value of \$32,345 per the latest tax return.

**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.

**Use of Estimates** – The preparation of financial statements requires management of the Library to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

**NOTE 2 CASH DEPOSITS AND INVESTMENTS**

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

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)**

**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.

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, 2020 and 2019, the book value of the Library's deposits were \$792,939 and \$951,659 and bank balances of the Library's cash and deposits amounted to and \$813,783 and \$963,040. 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>2020</u>	<u>2019</u>
Insured	<u>\$813,783</u>	<u>\$963,040</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, 2020 and 2019, 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, 2020 and 2019, the Library had no investments

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 3 FUND BALANCES APPROPRIATED**

Fund balances at December 31, which were appropriated and included as anticipated revenue in the Library's budget for the succeeding year were as follows:

	<b>2020</b>		<b>2019</b>	
	<u>Fund</u> <u>Balance</u> <u>December 31,</u>	<u>Utilized</u> <u>in Subsequent</u> <u>Year's Budget</u>	<u>Fund</u> <u>Balance</u> <u>December 31,</u>	<u>Utilized</u> <u>in Subsequent</u> <u>Year's Budget</u>
Operating Fund - Unrestricted	<u>\$ 245,875</u>	<u>\$ -</u>	<u>\$ 389,844</u>	<u>\$ 300,000</u>

**NOTE 4 ACCUMULATED SICK AND VACATION PAY**

The Library permits employees to accrue a limited amount of unused 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 \$61,899 and \$67,821 at December 31, 2020 and 2019. This amount, which is considered material to the financial statements, is not reported either as an expenditure or liability.

**NOTE 5 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](http://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.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

The following represents the membership tiers for PERS:

<b>Tier</b>	<b>Definition</b>
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 tier 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 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.

**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.

The cost of living increase for PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

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](http://www.state.nj.us/treasury/pensions).

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**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 the 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/treasury/doinvest](http://www.state.nj/treasury/doinvest).

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for local PERS at June 30, 2020 and 2019 is \$16.4 billion and \$18.1 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 58.32% and 56.27%, respectively. The collective net pension liability of the participating employers for local PFRS at June 30, 2020 and 2019 is \$14.9 billion and \$14.2 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 63.52% and 65.00%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2019 and 2018 which were rolled forward to June 30, 2020 and 2019, respectively.

**Actuarial Methods and Assumptions**

In the July 1, 2019 and 2018 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.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**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 various retirement systems require employee contributions for 2020 and 2019 based 7.50% 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 2020, 2019 and 2018 were equal to the required contributions.

	<u>PERS</u>
2020	\$ 204,393
2019	204,188
2018	221,192

In addition for the years ended December 31, 2020, 2019 and 2018 the Library contributed for long-term disability insurance premiums (LTDI) \$1,147, \$1,281, and \$1,934, 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, 2020 and 2019. Employer allocation percentages have been rounded for presentation purposes.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS)**

At December 31, 2020 and 2019, the Library reported a liability of \$3,369,419 and \$3,786,176, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018, respectively. The Library's proportionate share of the net pension liability was based on the ratio of the Library's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2020, the Library's proportionate share was 0.02066 percent, which was a decrease of 0.00035 percent from its proportionate share measured as of June 30, 2019 of 0.02101 percent.

For the years ended December 31, 2020 and 2019, the pension system has determined the Library's pension expense to be \$167,996 and \$284,478, respectively, for PERS based on the actuarial valuations which are less than and more than the actual contribution reported in the Library's financial statements of \$204,393 and \$204,188, respectively. At December 31, 2020 and 2019, 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:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 61,352	\$ 11,916	\$ 67,957	\$ 16,726
Changes of Assumptions	109,308	1,410,808	378,064	1,314,170
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	115,169			59,766
Changes in Proportion and Differences Between Library Contributions and Proportionate Share of Contributions	<u>422,402</u>	<u>317,663</u>	<u>713,008</u>	<u>441,801</u>
Total	<u>\$ 708,231</u>	<u>\$ 1,740,387</u>	<u>\$ 1,159,029</u>	<u>\$ 1,832,463</u>

At December 31, 2020 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:

Year Ending December 31,	Total
2021	\$ (287,825)
2022	(287,826)
2023	(245,976)
2024	(176,532)
2025	(33,997)
Thereafter	<u>-</u>
	<u>\$ (1,032,156)</u>

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 5 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, 2020 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<b><u>PERS</u></b>	<b><u>2020 and 2019</u></b>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% Based on Years of Service
Thereafter	3.00%-7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2020 and 2019.

The actuarial assumptions used in the July 1, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 5 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, 2020 and 2019, as reported for the years ended December 31, 2020 and 2019, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2020</u>		<u>2019</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%	3.40%	3.00%	4.67%
Cash Equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment Grade Credit	8.00%	2.67%	10.00%	4.25%
US Equity	27.00%	7.71%	28.00%	8.26%
Non-US Developed Markets Equity	13.50%	8.57%	12.50%	9.00%
Emerging Markets Equity	5.50%	10.23%	6.50%	11.37%
High Yield	2.00%	5.95%	2.00%	5.37%
Real Assets	3.00%	9.73%	2.50%	9.31%
Private Credit	8.00%	7.59%	6.00%	7.92%
Real Estate	8.00%	9.56%	7.50%	8.33%
Private Equity	13.00%	11.42%	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>
2020	June 30, 2020	7.00%
2019	June 30, 2019	6.28%

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 5 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>2020</u>	<u>2019</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	All Periods	Through June 30, 2057
Municipal Bond Rate *	Not Applicable	From July 1, 2057 and Thereafter

\* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. 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 Library's proportionate share of the PERS net pension liability as of December 31, 2020 and 2019 calculated using the discount rate of 7.000% and 6.28%, respectively, as well as what the Library'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 6.00% and 5.28%, respectively or 1-percentage-point higher 8.00% and 7.28% , respectively than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
<u>2020</u>			
Library's Proportionate Share of the PERS Net Pension Liability	<u>\$ 4,241,536</u>	<u>\$ 3,369,419</u>	<u>\$ 2,629,404</u>
	<u>1% Decrease (5.28%)</u>	<u>Current Discount Rate (6.28%)</u>	<u>1% Increase (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>

The sensitivity analysis was based on the proportionate share of the Library's net pension liability at December 31, 2020 and 2019. 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, 2020 AND 2019**

**NOTE 5 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](http://www.state.nj.us/treasury/pensions).

**NOTE 6 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.

**NOTE 7 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC**

The World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first discovered in China and has since spread to other countries, including the United States (the "COVID-19 Pandemic"). On March 13, 2020, the President of the United States declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, also instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which altered the behaviors of businesses and people, had negative impacts on regional, state and local economies. The Governor, pursuant to various executive orders, then implemented a multi-stage approach to restarting New Jersey's economy. The declaration of the state of emergency and of a public health emergency was terminated by the Governor, by executive order, on June 4, 2021. Also, on June 4, 2021, the Governor signed into law Assembly Bill No. 5820 which terminates most of the Governor's pandemic-related executive orders in early July. The remaining executive orders (dealing with coronavirus testing and vaccinations, moratoriums on evictions and utility shutoffs and various other matters) will terminate on January 1, 2022. In the event of substantial increases in COVID-19 hospitalizations, spot positivity or rates of transmission, the Governor is empowered to impose more restrictive measures than currently in place. Recently, the United States Congress has passed relief and stimulus legislation including the American Rescue Plan Act signed into law by President Biden on March 12, 2021, comprising of \$1.9 trillion in funding to address the COVID-19 Pandemic. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and alleviate the health effects of the COVID-19 pandemic. It is too early to predict if the legislation will have its intended affect.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 7 INFECTIOUS DISEASE OUTBREAK (Continued)**

In compliance with the Governor's executive orders, the Library has instituted necessary precautions and procedures, so as to allow the Library to continue to provide services during this time. The Library is functioning administratively, and its departments continue to operate both remotely and on-site, where safe and practicable. The Library cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease. At this time, it is not possible to predict any future financial impacts as a result of this pandemic on the Library's operations; however, such amounts, if any, could be material.

**SUPPLEMENTARY SCHEDULES**

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

Balance, January 1, 2020		\$ 951,659
Increased by Receipts:		
Municipal Appropriation	\$ 2,983,990	
State Aid - Reserve for Unrestricted State Aid	16,323	
Fines, Fees and Miscellaneous	13,968	
Donations		
Grant Fund	8,945	
Endowment Fund	157,220	
Adult School - Tuition	93,238	
Adult School - Other	5,305	
Interest		
Operating Fund	468	
Grant Fund	4	
Endowment Fund	432	
		<u>3,279,893</u>
		4,231,552
Decreased by Disbursements:		
2020 Operating Budget	727,586	
Payroll Deductions Payable	2,516,529	
Prepaid Expenses	695	
Other - Non-Budgetary		
Grant Fund	11,477	
Endowment Fund	109,621	
Reserve for Unemployment	2,727	
Accounts Payable	69,978	
		<u>3,438,613</u>
Balance, December 31, 2020		<u>\$ 792,939</u>

Analysis of Balance, December 31, 2020

Operating Account, TD Bank	\$ 289,609
Payroll Agency Account, TD Bank	30,208
Grant Fund Account, TD Bank	58,024
Unemployment Account, TD Bank	24,063
Endowments, Memorials and Gifts Account, TD Bank	315,430
Adult School Bank Account, TD Bank	75,305
Petty Cash	<u>300</u>
Balance, December 31, 2020	<u>\$ 792,939</u>

## SCHEDULE B

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
STATEMENT OF 2020 BUDGET REVENUES - OPERATING**

	<u>Budget (Memo)</u>	<u>Realized</u>	<u>Excess or (Unrealized)</u>
<b>REVENUES</b>			
Municipal Appropriation	\$ 2,919,223	\$ 3,015,910	\$ 96,687
State Aid	16,000	16,504	504
Fines, Fees and Miscellaneous	30,000	13,968	(16,032)
Donations	80,000	-	(80,000)
Adult School - Tuition	22,000	93,238	71,238
Adult School - Other	4,000	5,305	1,305
Interest	-	468	468
	<u>\$ 3,071,223</u>	<u>\$ 3,145,393</u>	<u>\$ 74,170</u>
<b>Total Revenues</b>			
		Cash Receipts \$ 3,096,969	
		Due from the Township 31,920	
		Reserve for State Aid 16,504	
		<u>\$ 3,145,393</u>	

## SCHEDULE C

**STATEMENT OF 2020 BUDGET EXPENDITURES - OPERATING**

	<u>Budget (Memo)</u>	<u>Paid or Charged</u>	<u>(Deficit) or Unexpended Balance</u>
<b>EXPENDITURES</b>			
Salary & Wages	\$ 1,880,025	\$ 1,817,919	\$ 62,106
Pension & Benefits	635,968	691,921	(55,953)
Library Materials			
Books/Electronic Materials	135,730	71,128	64,602
Audiovisual	15,000	25,417	(10,417)
Subscriptions	12,000	10,334	1,666
Databases	20,000	66,543	(46,543)
Programs			
Youth Programs	8,000	2,518	5,482
Adult Programs	8,000	1,703	6,297
Adult School	40,000	85,783	(45,783)
Professional Contracted Services	95,500	38,358	57,142
Library Services/Technology	121,000	105,724	15,276
Other Operating Expenses	35,000	29,870	5,130
Facilities			
Maintenance	150,000	133,286	16,714
Furnishings and Equipment	35,000	26,557	8,443
Insurance	20,000	995	19,005
Public Internet and WiFi	8,000		8,000
Utilities	140,000	165,067	(25,067)
Telecommunications	12,000	16,239	(4,239)
Capital Improvements	-	-	-
	<u>\$ 3,371,223</u>	<u>\$ 3,289,362</u>	<u>\$ 81,861</u>
<b>Total Expenditures</b>			

Analysis of Budget

Local and State Revenues	\$ 3,071,223	
Fund Balance	<u>300,000</u>	
	<u>\$ 3,371,223</u>	
	Cash Disbursements \$ 727,586	
	Prepaid Expenses 593	
	Payroll Deductions Payable 2,509,840	
	Accounts Payable 51,343	
	<u>\$ 3,289,362</u>	

## SCHEDULE D

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
DUE FROM THE TOWNSHIP**

Increased by:	
2020 Municipal Appropriations	\$ 3,015,910
Decreased by:	
Cash Receipts	<u>2,983,990</u>
Balance, December 31, 2020	<u>\$ 31,920</u>

## SCHEDULE E

**STATEMENT OF PREPAID EXPENSES**

Balance, January 1, 2020	\$ 593
Increased by:	
Cash Disbursements	<u>695</u>
	1,288
Decreased by:	
Charges to 2020 Appropriations	<u>593</u>
Balance, December 31, 2020	<u>\$ 695</u>

## SCHEDULE F

**STATEMENT OF ACCOUNTS PAYABLE**

Balance, January 1, 2020	\$ 69,978
Increased by:	
Charges to 2020 Appropriations	<u>51,343</u>
	121,321
Decreased by:	
Cash Disbursements	<u>69,978</u>
Balance, December 31, 2020	<u>\$ 51,343</u>

## SCHEDULE G

**STATEMENT OF PAYROLL DEDUCTIONS PAYABLE**

Balance, January 1, 2020	\$ 36,897
Increased by:	
Charges to 2020 Appropriations	<u>2,509,840</u>
	2,546,737
Decreased by:	
Cash Disbursements	<u>2,516,529</u>
Balance, December 31, 2020	<u>\$ 30,208</u>

## SCHEDULE H

**STATEMENT OF RESERVE FOR UNRESTRICTED STATE AID**

Balance, January 1, 2020	\$ 16,504
Increased by:	
Cash Receipts	<u>16,323</u>
	32,827
Decreased by:	
2020 Anticipated Revenue	<u>16,504</u>
Balance, December 31, 2020	<u>\$ 16,323</u>

## SCHEDULE I

**STATEMENT OF RESERVE FOR UNEMPLOYMENT**

Balance, January 1, 2020	\$ 26,790
Decreased by:	
Cash Disbursements	<u>2,727</u>
Balance, December 31, 2020	<u>\$ 24,063</u>



**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  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA  
CHRISTOPHER M. VINCI, CPA  
CHRISTINA CUIFFO, 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, 2020, and the related notes to the financial statements, and have issued our report thereon dated July 20, 2021. 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.

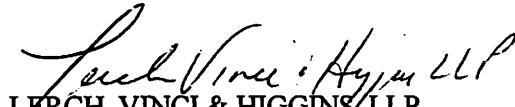
### **Compliance and Other Matters**


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  
July 20, 2021

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**

---

**GOVERNMENT AUDITING STANDARDS AND**

**COMMENTS AND RECOMMENDATIONS**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

## **TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**

### **GENERAL COMMENTS**

**Finding** – Our audit revealed three (3) checks were issued to Bergen County Cooperative Library System (BCCLS) that were greater than \$5,000 that contained only one authorized check signature.

**Recommendation** – The Library update the annual Authorized Check Signers Resolution to include BCCLS as an exempt vendor or have checks issued to BCCLS greater than \$5,000 contain two (2) authorized check signatures.

**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** – 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


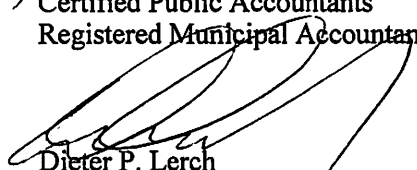
1. The Library update the annual Authorized Check Signers Resolution to include BCCLS as an exempt vendor or have checks issued to BCCLS greater than \$5,000 contain two (2) authorized check signatures.
- \* 2. Policy be considered whereby all employee salaries as budgeted and recommended by the Executive Director are considered approved.
- \* 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